

Driehaus Emerging Markets Small Cap Growth Fund Commentary

The second quarter brought renewed turbulence to emerging market equities in the month of May, as the impact of China's fiscal stimulus started to decelerate, while trade tensions between the US and China ratcheted higher. Heading into the G20 summit at the end of the quarter, an increasingly uncertain global economic backdrop was met by signals of forthcoming monetary easing across major global central banks.

The Driehaus Emerging Markets Small Cap Growth Fund returned 5.60% for the quarter, compared to the MSCI Emerging Markets Small Cap Index return of -0.98% and the MSCI Emerging Markets Index return of 0.61%.¹

Key contributors included China and the consumer discretionary sector, while detractors were led by Cambodia and the utilities sector.

China contributed 239 basis points to the fund's outperformance during the quarter, with stock selection being the driver of the excess return*. We continue to see a favorable backdrop for consumption in industries such as sportswear and restaurants, with one of our top contributors being a supplier of condiments to a prominent hotpot restaurant chain.

The consumer discretionary sector was the top contributor from a sector perspective, adding 227 basis points. Notable contributors included a China-based sportswear company, a Brazilian education company and an apparel retailer in Brazil that boasts an improving competitive position as smaller players have exited the market in recent years.

Cambodia detracted 36 basis points from the fund's performance during the quarter. The fund has only one holding in the country, and after a strong period of outperformance to start the year, the stock corrected in April, due to uncertainty surrounding the company's medium-term growth strategy.

**Includes China-based companies that are domiciled in Hong Kong*

The utilities sector represented a modest drag of 24 basis points on the fund's performance, due to allocation effect as the sector outperformed amid a period of rapidly declining interest rates. Both of the fund's holdings in the sector were additive in terms of stock selection.

China remains an overweight position, as the fund carries a 20.4% weighting, representing an overweight of 980 basis points relative to the MSCI Emerging Markets Small Cap Index*. China recently announced measures for renewed infrastructure stimulus, and we further see scope for monetary policy easing, the combination of which should drive improving earnings growth in cyclical areas in the second half of 2019. We favor industries such as machinery, cement, and real estate within the portfolio. Additionally, we see an ongoing structural trend toward domestic demand in the country and have positioned the portfolio in consumer companies with strong brands and distribution capabilities in staples such as bread and infant milk formula, as well as local producers of discretionary items such as sportswear and jackets.

The fund remains overweight the consumer discretionary sector, with a weighting of 17.03% representing a 350 basis points overweight relative to the benchmark. We see a positive backdrop for consumption in a number of emerging economies, driven by declining interest rates and improving employment and wages. Health and wellness remains a strong trend across emerging markets, and this is represented in the fund through allocations to sportswear manufacturers and retailers, as well as gym operators.

The fund is underweight South Korea relative to the benchmark, with the combination of pressure on the technology supply chain and slow domestic demand growth weighing on earnings growth in the country. The fund's 1.67% weighting is 1353 basis points below the MSCI Emerging Markets Small Cap Index.

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.**

Health care is a meaningful sector underweight, as the fund's 2.96% weighting is 484 basis points below the benchmark. We are encouraged by positive trends in innovative drug developers in China, yet see headwinds in other large constituents of the sector, including generic pharmaceutical companies who face pricing pressure, along with hospital operators who face rising regional competition. Over time, we expect that improvements in insurance coverage, along with rising incomes in emerging markets, will provide a tailwind to the health care sector, and we foresee an expansion of the opportunity set in the medium-term.

While geopolitical and macroeconomic drivers such as trade wars and monetary policy have captured the recent headlines, beneath the surface, we have observed improving conditions for stock selection in emerging markets. Following a period of extremely narrow market leadership in recent years, performance breadth has expanded markedly year-to-date. This development has coincided with a decline in real interest rates and a shift in monetary policy expectations, as market participants now expect the Federal Reserve to cut interest rates three times in the next year.

Until next month,



Chad Cleaver, Lead Portfolio Manager

Driehaus Emerging Markets Small Cap Growth Fund

The decline in real interest rates has been a positive driver for India and Indonesia from a country perspective, as real interest rate differentials in these countries remain among the highest in EM. From a style perspective, secular growth stocks, high dividend yielding stocks, and companies with long duration cash flows have been market leaders as interest rates declined.

We remain cognizant of the potential for a reversal in this trend, particularly if more certainty is gained on the outlook for trade. Within our growth framework, we have incrementally shifted toward recovery growth stocks in the last two months, and we continue to emphasize “second derivative” shifts in growth conditions within our portfolio construction.

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 July 15, 2019 and are subject to change at any time due to changes in market or economic conditions. The commentary has not been updated since July 15, 2019 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 6/30/19

Fund/Index	MTH	YTD	1 Year	Average Annual Total Return			
				3 Year	5 Year	10 Year	Since Inception ¹
DrieHaus Emerging Markets Small Cap Growth Fund ²	6.66%	20.99%	-2.11%	4.00%	-0.81%	7.10%	9.94%
MSCI Emerging Markets Small Cap Index (ND) ³	3.92%	6.70%	-5.12%	5.46%	0.53%	5.86%	11.24%
MSCI Emerging Markets Small Cap Growth Index (ND) ⁴	3.68%	5.79%	-8.33%	2.54%	-1.33%	4.59%	9.95%

Calendar Quarter-end Performance as of 6/30/19

Fund/Index	QTR	YTD	1 Year	Average Annual Total Return			
				3 Year	5 Year	10 Year	Since Inception ¹
DrieHaus Emerging Markets Small Cap Growth Fund ²	5.62%	20.99%	-2.11%	4.00%	-0.81%	7.10%	9.94%
MSCI Emerging Markets Small Cap Index (ND) ³	-0.98%	6.70%	-5.12%	5.46%	0.53%	5.86%	11.24%
MSCI Emerging Markets Small Cap Growth Index (ND) ⁴	-1.30%	5.79%	-8.33%	2.54%	-1.33%	4.59%	9.95%

Annual Operating Expenses⁵

Gross Expenses	1.95%
Net Expenses	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.

¹Inception Date: 12/1/2008. "Since Inception" is calculated to include performance from the Fund's predecessor limited partnership. ²The 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. ³The 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. ⁴The Morgan Stanley Capital International Emerging Markets Small Cap Growth Index (MSCI Emerging Markets Small Cap Growth Index) is a subset of the MSCI Emerging Markets Small Cap Index and includes only the MSCI Emerging Markets Small Cap Index stocks which are categorized as growth stocks. Data is in US Dollars. The net dividend (ND) index is calculated with net dividend reinvestment. ⁵Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated April 30, 2019. 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. 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 net expense ratio 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 or 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.

Sources: Morgan Stanley Capital International Inc., eVestment Alliance, LLC, SS&C Inc. Copyright MSCI 2019. All Rights Reserved. Without prior written permission of MSCI, this information and any other MSCI intellectual property may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used to create any financial instruments or products or any indices. This information is provided on an "as is" basis, and the user of this information assumes the entire risk of any use made of this information. Neither MSCI, each of its affiliates nor any third party involved in or related to the computing, compiling or creating of any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages relating to any use of this information.

DrieHaus Securities LLC, Distributor

COUNTRY PERFORMANCE ATTRIBUTION 2nd Quarter — 3/31/19 to 6/30/19

MSCI Country	Driehaus Emerging Markets Small Cap Growth Fund (DRESX) (Port) (%)			MSCI Emerging Markets Small Cap Index (ND) ¹ (Bench) (%)			Attribution Analysis (%)
	Port Avg. Weight	Port Total Return	Port Contrib To Return	Bench Avg. Weight	Bench Total Return	Bench Contrib To Return	Total Effect ²
Argentina	0.00	0.00	0.00	0.17	14.68	0.07	-0.05
Bangladesh	0.83	-2.85	-0.10	0.00	0.00	0.00	-0.07
Bermuda	0.00	0.00	0.00	0.14	2.60	0.00	-0.01
Brazil	10.61	12.80	1.86	6.61	12.30	0.92	0.89
Cambodia	1.58	-11.18	-0.36	0.00	0.00	0.00	-0.38
Canada	0.28	10.16	0.13	0.00	0.00	0.00	0.09
Cayman Islands	0.00	0.00	0.00	0.26	-8.71	-0.03	0.02
Chile	0.00	0.00	0.00	1.53	0.19	-0.01	-0.01
China	14.22	3.16	0.18	6.73	-6.10	-0.43	0.95
Colombia	0.00	0.00	0.00	0.24	5.93	0.01	-0.02
Comoros	1.21	2.94	0.15	0.00	0.00	0.00	0.03
Cyprus	2.06	11.06	0.10	0.06	6.14	0.00	0.11
Czech Republic	0.52	4.57	0.06	0.01	3.54	0.00	0.02
Egypt	0.53	-9.51	-0.14	0.49	-5.82	-0.03	-0.08
Greece	0.25	8.77	0.07	0.96	36.60	0.27	-0.29
Hong Kong	8.94	13.46	1.04	4.38	-5.77	-0.31	1.44
Hungary	0.00	0.00	0.00	0.13	-1.63	0.00	0.00
India	15.49	3.98	0.73	15.11	-3.48	-0.42	1.13
Indonesia	5.29	20.96	0.94	2.26	-0.98	-0.01	0.97
Kazakhstan	0.79	-11.96	0.05	0.00	0.00	0.00	0.02
Luxembourg	0.79	29.85	0.27	0.21	13.05	0.03	0.23
Malaysia	0.00	0.00	0.00	3.12	2.65	0.07	-0.11
Mexico	1.30	9.15	0.13	2.91	2.26	0.06	0.03
Netherlands	0.00	0.00	0.00	0.15	-8.28	-0.01	0.01
Pakistan	0.18	-19.51	-0.09	0.63	-21.37	-0.15	0.09
Panama	0.60	4.13	0.08	0.00	0.00	0.00	0.01
Peru	0.00	0.00	0.00	0.04	-25.74	-0.02	0.01
Philippines	2.50	3.77	-0.23	0.96	3.26	0.03	-0.15
Poland	3.51	11.08	0.36	0.92	2.66	0.02	0.38
Qatar	0.00	0.00	0.00	4.89	7.30	0.32	-0.39
Russia	0.93	-6.94	-0.12	0.85	10.80	0.10	-0.19
Saudi Arabia	0.21	-3.20	-0.03	0.34	2.83	0.03	-0.05
Singapore	2.17	21.58	0.62	0.20	-17.25	-0.04	0.62
South Africa	4.03	17.85	0.60	5.17	2.51	0.11	0.46
South Korea	2.49	-9.21	-0.23	16.28	-9.31	-1.65	1.36
Spain	0.00	0.00	0.00	0.04	-5.84	0.00	0.00
Suriname	0.00	0.00	0.00	0.05	1.78	0.00	0.00
Taiwan	7.28	-3.89	-0.38	18.30	-0.04	-0.12	-0.29
Thailand	2.28	9.87	0.42	4.08	11.28	0.50	-0.19
Turkey	0.28	-8.82	-0.05	1.08	2.78	0.05	-0.09
United Arab Emirates	1.14	30.70	0.16	0.52	-6.57	-0.04	0.19
United States	0.00	0.00	0.00	0.14	-0.50	0.01	-0.01
Uruguay	0.00	0.00	0.00	0.04	14.65	0.02	-0.01
Vietnam	1.26	2.80	0.11	0.00	0.00	0.00	0.03
Cash	6.47	-4.73	-0.35	0.00	0.00	0.00	-0.08
Unassigned*	0.00	-0.35	-0.37	0.00	0.00	0.00	-0.38
Total	100.00	5.60	5.60	100.00	-0.66	-0.66	6.26

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. ¹A definition of this index can be found on page 3. ²Total Effect - The Total Effect for each MSCI/GICS Sector is equal to the sum of the individual Attribution Effects for that MSCI/GICS Sector.

*Unassigned refers to securities not recognized by Factset.

SECTOR PERFORMANCE ATTRIBUTION 2nd Quarter — 3/31/19 to 6/30/19

	Driehaus Emerging Markets Small Cap Growth Fund (DRESX) (Port) (%)			MSCI Emerging Markets Small Cap Index (ND) ¹ (Bench) (%)			Attribution Analysis (%)
	Port Avg. Weight	Port Total Return	Port Contrib To Return	Bench Avg. Weight	Bench Total Return	Bench Contrib To Return	Total Effect ²
Communication Services	5.24	21.74	1.13	4.17	-1.78	-0.07	1.21
Consumer Discretionary	18.55	12.45	2.27	14.40	-1.28	-0.23	2.39
Consumer Staples	7.83	6.80	0.63	6.64	-2.95	-0.22	0.74
Energy	0.06	-10.48	-0.06	1.98	-4.41	-0.08	-0.01
Financials	12.25	11.10	1.42	11.16	1.67	0.22	0.98
Health Care	5.15	3.43	0.05	8.15	-8.58	-0.74	0.87
Industrials	13.23	1.37	0.31	14.32	-0.48	-0.04	0.29
Information Technology	12.16	-2.40	-0.46	14.77	-2.02	-0.41	0.06
Materials	8.42	-0.75	-0.10	11.64	-0.87	-0.06	-0.08
Real Estate	8.51	11.61	0.91	8.08	3.04	0.28	0.75
Utilities	2.12	7.38	0.24	4.68	7.24	0.36	-0.15
Cash	6.47	-4.73	-0.35	0.00	0.00	0.00	-0.07
Unassigned	0.00	-0.35	-0.37	0.00	0.00	0.00	-0.39
Total	100.00	5.60	5.60	100.00	-0.98	-0.98	6.58

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. ¹A definition of this index can be found on page 3. ²Total Effect - The Total Effect for each MSCI/GICS Sector is equal to the sum of the individual Attribution Effects for that MSCI/GICS Sector.

*Unassigned refers to securities not recognized by Factset.

SECTOR WEIGHTS (%)				COUNTRY WEIGHTS (%)					
	Fund	Benchmark	Active Weights (%)		Fund	Benchmark		Fund	Benchmark
Communication Services	5.0	4.2	0.8	Bangladesh	0.6	0.0	Panama	1.5	0.0
Consumer Discretionary	17.0	14.0	3.0	Brazil	8.7	8.0	Philippines	1.1	1.0
Consumer Staples	7.5	6.5	1.0	Cambodia	1.1	0.0	Poland	3.0	0.9
Energy	0.0	0.0	0.0	Canada	1.6	0.0	Russia	0.5	1.0
Financials	12.3	10.9	1.4	China/Hong Kong	23.1	10.9	Saudi Arabia	0.9	1.0
Health Care	3.0	7.8	-4.8	Cyprus	2.4	0.1	Singapore	2.8	0.2
Industrials	16.6	14.4	2.2	Czech Republic	1.0	0.0	South Africa	4.9	5.5
Information Technology	10.4	14.6	-4.2	Greece	1.0	0.8	South Korea	1.7	15.8
Materials	8.9	11.8	-2.9	India	14.4	15.2	Taiwan	6.9	18.7
Real Estate	11.6	8.6	3.0	Indonesia	4.9	2.4	Thailand	4.5	5.0
Utilities	1.8	5.0	-3.1	Kazakhstan	1.3	0.0	UAE	1.7	0.6
Cash	5.9	0.0	5.9	Luxembourg	1.1	0.3	Vietnam	2.6	0.0
							Cash	5.9	0.0

TOP 5 HOLDINGS¹ (as of 5/31/19)

Company	Sector	Country	% of Fund
PT Bank Tabungan Pensiunan Nasional Syariah Tbk	Financials	Indonesia	2.7
Lojas Renner S.A.	Consumer Discretionary	Brazil	2.6
Li Ning Company Limited	Consumer Discretionary	Hong Kong	2.6
TCS Group Holding Plc Sponsored GDR Class A RegS	Financials	Cyprus	2.6
Notre Dame Intermedica Participacoes SA	Health Care	Brazil	2.0

PORTFOLIO CHARACTERISTICS

	Fund	Benchmark	5-year period	Fund	Benchmark
Number of Holdings	90	1,644	Annualized Alpha	-1.14	n/a
Weighted Avg. Market Cap (M)	\$3,702	\$1,320	Sharpe Ratio	-0.13	-0.02
Median Market Cap (M)	\$3,151	\$708	Information Ratio	-0.16	n/a
Est. 3-5 Year EPS Growth	20.6%	19.4%	Beta	0.70	1.00
Active Share (3-year avg.) ²	113.02	n/a	Standard Deviation	12.25	14.32
Market Cap Breakout (%)			Tracking Error	8.26	0.00
< \$5 billion	75.4	99.4	R-squared	0.67	1.00
> \$5 billion	24.6	0.6			

Sources: DrieHaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance
 Data as of 6/30/19. Benchmark: MSCI EM Small Cap Index (ND)

DrieHaus Securities LLC, Distributor

¹Holdings subject to change. ²Data is calculated monthly.

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.

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.