EST. 1982

DRIEHAUS
CAPITAL MANAGEMENT

JEFF JAMES
PORTFOLIO MANAGER
DRIEHAUS SMALL CAP GROWTH FUND

Q&A WITH JEFF JAMES

Small caps tend to outperform larger companies over the cycle. Why is this, in your mind?

Yes, the so-called small company effect suggests, over most cycles, small caps tend to outperform. There are a number of reasons for this. One is that the growth rates and earnings potential of small companies are often far greater than larger companies. The rate of growth of a $1 billion small cap company is usually much higher than a $100 billion company. It is important to find good businesses early for the best possible growth potential.

Second, small caps benefit from market inefficiency. Smaller companies are often underfollowed compared to large companies. As they are less followed, the discovery process and the inefficiency really work in small companies' favour.

A third powerful factor is institutional sponsorship. Small caps are less widely owned by mutual funds and other large institutions. This is a positive dynamic as small cap companies have fewer shares outstanding, and this lack of supply is an advantage for appreciation potential.

Lastly, small companies are often more nimble. They can seize opportunities, develop new technologies and release new products. Larger incumbent companies are often too entrenched and slower to adapt to secular shifts. So, frequently, the most disruptive solutions and the most dynamic companies come from the small-cap universe.

So, we believe it is important for investors to be exposed to small caps, especially as part of a diversified portfolio.

Are you worried about a slowdown – particularly given that small caps seem more exposed than larger-cap stocks? How can you mitigate these risks?

While we are constantly evaluating economic and market conditions, I'm not that concerned regarding a growth slowdown. We've already seen several periods of slower growth this decade. In addition, our team is very experienced, we have successfully managed through many unfavourable market environments, including multiple slowdowns and even a couple of recessions.

We have navigated through many market cycles by focusing on companies that have higher revenue and earnings visibility, are less economically sensitive and can grow on a secular or thematic basis or via a product cycle. We invest in companies with strong market positions and superior growth characteristics that can still grow sustainably, even when the economy is growing GDP at just 1 to 2%. Companies with attractive product cycles, that are gaining market share in healthy end markets can continue to produce superior earnings and power through an economic slowdown. Market corrections will occur but stocks with robust fundamentals and the best earnings profiles tend to bounce back quickly and will often lead the market as it recovers.

What's your investment approach? Is it bottom-up?

Yes, it is a bottom-up approach. Our investment philosophy is based on several core investment beliefs. First we believe that earnings are the key driver of stock prices over time. Second, we believe growth inflections often serve as a catalyst or driver to realise those earnings. These inflections can be derived from such events as a new product cycle, a new management or some other positive change at the company or even industry level.

In inefficient markets with less analyst coverage, behaviourally, investors tend to anchor to old information. They underestimate the magnitude, acceleration and duration of revenue and earnings improvement. They are slow to adjust to new information. As active managers, this can be a big advantage for us as we search for companies that will sustainably exceed earnings expectations and grow market share due to some differentiation, such as a better product or technology or a leading market position. We find these opportunities through rigorous bottom-up analysis and a thorough stock selection research process.

Unlike some managers, you choose to invest in biotech. Why is this?

We think biotech is a very dynamic, innovative area. It's an industry where there is a lot of opportunity as there are many smaller companies to choose from. Many of these companies are approaching drug discovery with fresh or novel approaches. Over the past couple decades, drug discovery has accelerated, and therapeutics has become more targeted and more precise in how to attack various cancers, rare or orphan diseases as well many large indications. Drug approvals have been increasing as efficacious and safer therapies are making advances over older approaches in many unmet or underserved diseases.

Of course, to invest in biotech successfully it is important to have the proper analytical framework and an experienced team. Our approach is to focus on key characteristics that we believe will increase the probability of success in terms of a drug reaching its clinical, regulatory and commercial milestones.

To do this, we look at the company's intellectual property, and then spend considerable time evaluating the biology. We frequently ask: will the drug therapy and its target biology impact, or potentially reverse the course of disease? Are the preclinical and clinical trials rigorously designed to demonstrate that the treatment works and with a sufficient margin of safety? We also evaluate the efficiency of the company's development plan, seeking to optimize for time and capital. We look for sizeable commercial markets in which existing therapies are suboptimal or non-existent as well as seasoned management teams.

There are many interesting and innovative treatments being developing and we are excited about many of the opportunities that we have found and continue to discover.

You have a very strong track record. Why do you think this is?

I believe our long-term record of outperformance, which is in the top decile versus its Morningstar peers on a one, three, five- and ten-year basis (mutual fund ticker: DNSMX)[1] is due to several key attributes of our approach. Our differentiating strengths are our investment philosophy, our fundamental process and our experienced and seasoned investment team. The philosophy, we believe, focuses on the right characteristics that are embedded in the most successful stocks over time. We select differentiated and sustainable companies with robust revenue growth, margin expansion and powerful earnings leverage. We also construct our portfolios in a diversified way. This balanced approached allows us to invest in growth opportunities across four different but specific growth profiles: dynamic or secular growth, consistent growth, cyclical growth, as well as recovery or turnaround growth opportunities. So, while disciplined, our approach is very nimble and flexible. We focus on inefficient areas of the market, where we believe timely individual stock selection can add value versus the passive indices. Lastly, we have a robust risk management framework that helps manage our exposures through both market advances as well as the inevitable corrections and downturns in the market.

For more information visit Driehaus.com.

CALENDAR QUARTER-END PERFORMANCE AS OF MAR 31, 2019

FUND/BENCHMARK	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
DVSMX	23.41	23.41	20.18	26.02	13.76	19.75	11.83
DNSMX	23.50	23.50	20.48	26.19	13.85	19.80	11.87
Russell 2000® Growth Index[2]	17.14	17.14	3.85	14.87	8.41	16.52	8.58

[1] Peer group: Morningstar Small Growth Category (Institutional Share Class). Data based on monthly returns of 200, 172, 149 and 103 institutional share class mutual funds for the one-, three-, five-, and ten-year periods as of March 31, 2019. DVSMX ranked 8%, 5%, 3% and 3% for the one-, three-, five-, and ten-year periods. Past performance is not indicative of future results. 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 June 21, 2019 and are subject to change at any time due to changes in market or economic conditions. The article has not been updated since publication and may not reflect recent market activity. 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 or visit www.driehaus.com. Please read the prospectus carefully before investing. Driehaus Securities LLC, Distributor.**

Driehaus Small Cap Growth Fund

Investor Class: **DVSMX** Institutional Class: **DNSMX**

% CALENDAR QUARTER-END AVERAGE ANNUAL TOTAL RETURN (as of 6/30/19)

	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Inception[1]
Investor Class: DVSMX[1]	**8.62**	**34.05**	**14.89**	**26.84**	**16.12**	**18.96**	**12.32**
Institutional Class: DNSMX[1]	**8.72**	**34.27**	**15.21**	**27.05**	**16.24**	**19.02**	**12.37**
Russell 2000® Growth Index[2]	2.75	20.36	-0.49	14.69	8.63	14.41	8.63

Annual Fund Operating Expenses[3]

Ticker	DNSMX	DVSMX
Gross	1.04%	2.57%
Net[4]	0.95%	1.20%
Investment Minimum	*$500,000*	*$10,000*

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.

[1]The average annual total returns of the Driehaus Small Cap Growth Fund include the performance of one of the Fund's predecessor limited partnerships, which is calculated from January 1, 2007, before it commenced operations as a series of the Driehaus Mutual Funds on August 21, 2017 and succeeded to the assets of the Driehaus Institutional Small Cap, L.P. (the "Predecessor Partnership"), Driehaus Small Cap Investors, L.P., Driehaus Institutional Small Cap Recovery Fund, L.P. and Driehaus Small Cap Recovery Fund, L.P., (together, the "Limited Partnerships"). The Limited Partnerships were managed by the same investment team with substantially the same investment objective, policies and philosophies as the Fund. The investment portfolios of the Limited Partnerships were identical and therefore had similar performance. The performance of the Predecessor Partnership is shown here because it has been in operation the longest. The Predecessor 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 Partnership had been registered under the 1940 Act, its performance may have been adversely affected. Accordingly, future Fund performance may be different than the Predecessor Partnership's past performance. After-tax performance returns are not included for the Predecessor Partnership. The Predecessor Partnership was not a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and therefore did not distribute current or accumulated earnings and profits and was not subject to the diversification and source of income requirements applicable to regulated investment companies.

[2]The Russell 2000® Growth Index measures the performance of those Russell 2000® companies with higher price-to-book ratios and higher forecasted growth values. The performance data includes reinvested dividends. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index.

[3]Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated 4/30/19. 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.

[4]Driehaus Capital Management LLC, the Fund's investment adviser (the "Adviser"), has entered into a contractual agreement to cap the Fund's current ordinary annual operating expenses (excluding interest, taxes, brokerage commissions, other investment-related expenses, 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 ratios of 1.20% for the Investor Shares and 0.95% for the Institutional Shares until the earlier of the termination of the investment advisory agreement, by the Board of Trustees or the Fund's shareholders, or August 20, 2020. Pursuant to the agreement, and so long as the investment advisory agreement is in place, for a period of three years subsequent to the Fund's commencement of operations on August 21, 2017, the 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 / expense reimbursement as well as the current operating expense cap.

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.

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