

Driehaus Emerging Markets Small Cap Growth Fund Commentary

At the beginning of 2019, I got together with a group of friends from various industry backgrounds and exchanged thoughts on the state of the world and our outlooks for the year. In general, there was a guarded optimism that this could be a year where “voices of reason” emerge on issues such as Brexit, the US-China trade war, and confrontations with Iran and North Korea. Little more than halfway through the year, those prognostications have unfortunately been dead wrong.

In fact, new developments, such as the flaring up of tensions between India and Pakistan, the highly volatile protests in the streets of Hong Kong, and the trouncing of reformist president Mauricio Macri in Argentina’s primary elections, have reinforced the notion of a world that remains on a geopolitical precipice.

Considering the differentiation across the countries that make up the emerging markets asset class – in terms of culture, demographics, political systems, economic fundamentals, and phases in their development – one simply does not have the luxury to ignore geopolitics or macroeconomics. In the current environment, world affairs may seem to be governed by a constant trend toward disorder and chaos. The implication for equity investors in emerging markets is that volatility has accompanied a pronounced degree of dispersion across sectors and countries.

Brazil has been among the biggest winners in emerging markets from an increasingly uncertain global landscape in 2019. First, as US-China trade tensions have escalated, the substitution away from US agriculture products by Chinese buyers has benefited Brazil as the only country in the world that is growing its arable land. A bumper corn harvest is expected this year, and rail infrastructure improvements are on the cusp of unlocking value for states in Brazil like

Mato Grosso, which boast productive farmland, but have previously lacked the ability to efficiently reach the end customers.

Second, Brazil has moved in the right direction with respect to its economic reform agenda. As we noted in our October 2018 commentary, Brazil is fast approaching a make or break moment where pension reforms and privatizations are necessary to shore up fiscal accounts and provide a sustainable path to growth. Successfully passing these reforms could potentially drive a structural decline in the cost of capital in the country.

Third, the global disinflationary backdrop and sharp declines in bond yields have led investors to search for yield in select emerging markets that maintain solid macro and geopolitical fundamentals. Brazil’s 10-year government bond yield topped out at nearly 17% in early 2016, and today it stands at 7.5%. Inflation over that period has fallen from 10.7% to 3.2%. This decline in real interest rates may serve as a precursor to a meaningful allocation shift from fixed income to equities by local institutions who are increasingly unable to meet their return targets through bonds.

The Fund remains overweight Brazil, with positions in consumer companies, infrastructure, and fintech. Brazilians spend more than nine hours per day online, the second highest in the world, with the Internet being highly influential in retail purchases, and increasingly in financial services. Our top weighting in Brazil is a digital bank that is rapidly taking market share from traditional banks by offering a full-service product with far lower fees than competitors. Having witnessed the disruption of brick and mortar retail in recent years across many emerging markets, we see a similar opportunity for small and mid-sized companies to take on incumbents in industries such as banking, by leveraging digital capabilities.

Performance Review

The Driehaus Emerging Markets Small Cap Growth Fund, net of fees, returned -2.23% in August, compared to the MSCI Emerging Markets Small Cap Index, net dividend, return of -5.01.%¹. At the sector level, the most significant contributors to returns were financials and consumer staples. Real estate and utilities detracted the most value. At the country level, Brazil and Canada contributed most to performance for the month, while South Korea and China were notable detractors from performance.

Positioning and Outlook

At this juncture, we see two dilemmas – which to some degree are intertwined – facing investors.

First, the downward move in bond yields is approaching extreme levels, and a rapid reversal could cause significant pain for portfolios that are heavy in bond proxies, precious metals, and expensive defensive stocks. However, a significant speculative net short position in government bonds, coupled with rising US deficits and meager economic data, particularly in manufacturing intensive economies, augurs positively for equities that thrive in a low growth, low yield environment.

Second, in a world heavily influenced by geopolitics, factors that are inherently difficult to predict become increasingly important as the chorus of economists calling for a US recession grows louder, at the same time as the 2020 US election approaches.

The Fund remains heavily underweight the cyclical economies of North Asia, particularly Korea and Taiwan, while reducing the magnitude of our China overweight from 1,220bps to 458bps quarter-to-date. Pockets of the technology supply chain in this region have been laggards, with cyclical pressure further exacerbated by trade tensions.

In Southeast Asia, Thailand has experienced a dual tailwind in the form of high current account surpluses and low inflation, Vietnam continues to reap the benefits of foreign direct investment, and interest rate sensitive stocks in Indonesia have outperformed as the country is in the early stages of a monetary easing cycle. The Fund remains overweight all three of these markets.

Elsewhere in the region, we exited our remaining positions in the Philippines, as a recent crackdown on offshore gaming operations in the country threatens one of the near-term economic growth drivers. The Fund has recently established positions in two companies in Malaysia. The first is an operator of petroleum tank terminals, which is building out strategically located storage facilities similar to the Rotterdam Port in the Netherlands. Additionally, we purchased shares of the regional division of a multinational beer company with a consistent earnings growth profile due to compelling end markets throughout Southeast Asia.

Rounding out the view on Asia, the Fund maintains a neutral stance in India relative to its benchmark. While holding compelling long-term potential, India has faced a series of near-term challenges, some of which have been self-induced. The malaise of dwindling corporate sentiment along with credit constraints stemming from deteriorating asset quality among non-banking financial companies have represented dual headwinds to growth over the past several quarters. We are on the lookout for recovery growth companies, as many stocks are now 30% off of their highs and recently, we have seen nascent signs of government stimulus.

Several changes have unfolded within the Europe, Middle East and Africa portion of the portfolio, as the Fund substantially reduced positions in South Africa, while adding new positions in two airlines in Turkey and Russia. Once viewed as a country on the cusp of major reforms, South Africa has taken a step back with a recent policy of consumer debt forgiveness, which threatens to damage

¹Performance 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.**

the profitability of local banks, while potentially creating moral hazard. Turkey has benefited from a swift adjustment in its current account following the carnage of 2018, running its first annual current account surplus in 17 years. Quietly, Russia continues to trudge along with steady growth, sound economic policy, and an enviable position on the oil cost curve. Companies in Russia have become increasingly shareholder friendly, and two of our Russian holdings maintain double-digit dividend yields. The Middle East markets have thus far proven resilient in the face of significant oil price volatility over the past year. The Fund's Middle Eastern holdings are largely idiosyncratic, with a focus on underpenetrated areas of domestic demand.

Latin America continues to experience a challenging political and economic backdrop, as the negative market outcome in the Argentine primary elections, policy uncertainty in Mexico, and steady downgrades of economic data in Brazil have contributed to a lackluster backdrop from a big picture standpoint. However, bottom-up opportunities in Latin America have been material contributors to the Fund's year-to-date outperformance. Recent examples include a Mexican auto insurance provider, a pan-Latin American airline, and the Brazilian companies referenced in the opening comments.

Consistent with one of the major themes we have noted throughout the year, Latin America remains an example of the increased opportunity set we have seen for bottom-up stock selection in emerging markets, which has unfolded despite a checkered global geopolitical and economic backdrop.

Until next month,



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

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

Driehaus Securities LLC, Distributor

DRESX Performance Review

Month-end Performance as of 8/31/19

| 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 | -2.23% | 17.50% | 0.71% | 1.96% | -1.55% | 5.92% | 9.55% |
| MSCI Emerging Markets Small Cap Index (ND) ³ | -5.01% | -0.15% | -10.39% | 1.11% | -1.40% | 3.81% | 10.37% |
| MSCI Emerging Markets Small Cap Growth Index (ND) ⁴ | -4.63% | 0.04% | -12.09% | -0.86% | -2.98% | 2.83% | 9.22% |

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.

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| SECTOR WEIGHTS (%) | | | | COUNTRY WEIGHTS (%) | | | | | |
|------------------------|------|-----------|--------------------|---------------------|-----------|------|--------------|-----------|------|
| | Fund | Benchmark | Active Weights (%) | Fund | Benchmark | | Fund | Benchmark | |
| Communication Services | 4.1 | 4.1 | 0.0 | Austria | 0.5 | 0.0 | Mexico | 0.9 | 2.8 |
| Consumer Discretionary | 14.7 | 14.1 | 0.6 | Barbados | 1.6 | 0.0 | Panama | 1.7 | 0.0 |
| Consumer Staples | 7.2 | 6.4 | 0.8 | Brazil | 10.1 | 8.8 | Poland | 3.2 | 0.9 |
| Energy | 2.1 | 2.2 | -0.2 | Cambodia | 1.0 | 0.0 | Russia | 1.5 | 1.1 |
| Financials | 15.6 | 9.9 | 5.7 | Canada | 2.1 | 0.0 | Saudi Arabia | 1.2 | 2.2 |
| Health Care | 4.1 | 7.9 | -3.8 | China/Hong Kong | 15.2 | 10.6 | Singapore | 1.6 | 0.1 |
| Industrials | 14.9 | 14.0 | 0.9 | Cyprus | 1.5 | 0.1 | South Africa | 2.6 | 5.6 |
| Information Technology | 15.2 | 15.5 | -0.3 | Czech Republic | 1.5 | 0.0 | South Korea | 2.5 | 14.6 |
| Materials | 6.0 | 12.1 | -6.1 | Egypt | 1.3 | 0.6 | Taiwan | 8.9 | 19.8 |
| Real Estate | 5.9 | 8.7 | -2.8 | Greece | 1.9 | 0.8 | Thailand | 6.0 | 5.0 |
| Utilities | 2.6 | 5.0 | -2.4 | India | 13.2 | 13.6 | Turkey | 0.9 | 1.3 |
| Cash | 6.6 | 0.0 | 6.6 | Indonesia | 3.1 | 2.4 | UAE | 2.1 | 0.7 |
| Other | 1.0 | 0.0 | 1.0 | Luxembourg | 0.5 | 0.2 | Vietnam | 4.4 | 0.0 |
| | | | | Malaysia | 2.6 | 3.1 | Cash | 6.6 | 0.0 |

| TOP 5 HOLDINGS ¹ (as of 7/31/19) | |
|--|-----------|
| Company | % of Fund |
| TCS Group Holding Plc Sponsored GDR Class A RegS | 2.5 |
| Clicks Group Limited | 2.1 |
| Network International Holdings Plc | 2.0 |
| CD Projekt S.A. | 1.9 |
| China Conch Venture Holdings Ltd. | 1.7 |

| PORTFOLIO CHARACTERISTICS | | | | | |
|--------------------------------|---------|-----------|--------------------|-------|-----------|
| | Fund | Benchmark | 5-year period | Fund | Benchmark |
| Number of Holdings | 88 | 1,629 | Annualized Alpha | -0.55 | n/a |
| Weighted Avg. Market Cap (M) | \$3,573 | \$1,283 | Sharpe Ratio | -0.20 | -0.16 |
| Median Market Cap (M) | \$2,936 | \$642 | Information Ratio | -0.02 | n/a |
| Est. 3-5 Year EPS Growth | 21.0% | 19.9% | Beta | 0.69 | 1.00 |
| Active Share | 97.13 | n/a | Standard Deviation | 12.25 | 14.48 |
| Market Cap Breakout (%) | | | Tracking Error | 8.38 | 0.00 |
| < \$5 billion | 77.0 | 99.5 | R-squared | 0.67 | 1.00 |
| > \$5 billion | 23.0 | 0.5 | | | |

Sources: DrieHaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance
 Data as of 8/31/19. Benchmark: MSCI EM Small Cap Index (ND)
¹Holdings subject to change.

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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.