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CAPITAL MANAGEMENT

Driehaus Emerging Markets Small Cap Growth Fund Summary

AUGUST 2020

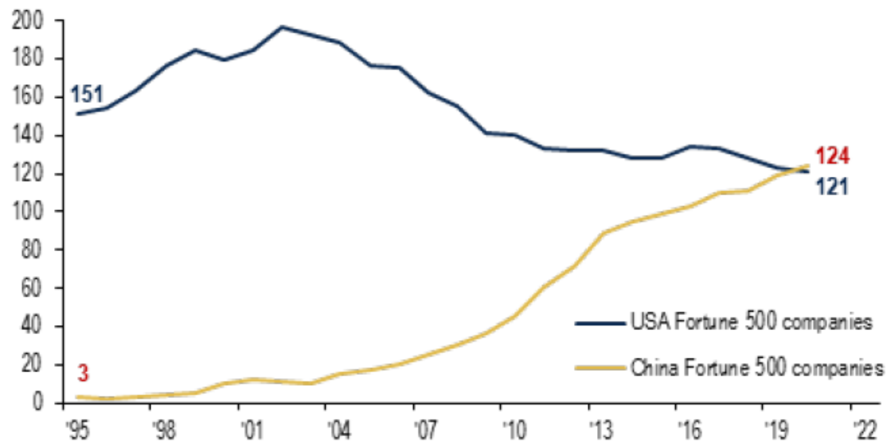
While the defining story of the year thus far has clearly been COVID-19, another important development has been the worsening of US-China relations. Post the 2016 US presidential election, many investors braced for a shift toward deglobalization and a US retreat from multilateral institutions. Rising trade tensions dominated the headlines throughout 2018-2019, culminating in a Phase One trade deal between the US and China in January 2020.

Leading up to the 2020 US election, a resurfacing of tensions has unfolded, recently resulting in ultimatums issued by the US to two technology platforms owned by Chinese companies, requiring them to either sell their US operations or face the prospect of being shut down in 45 days. Huawei has continued to face tightening US restrictions, threatening to slow its pace of 5G development. Chinese companies listed in the US also continue to face increasing scrutiny and the potential threat of delisting.

The worsening of the relationship has led some commentators to describe the tensions as a "decoupling" or the onset of a "new Cold War." While further deterioration is possible, particularly in advance of the upcoming US election, there are some important considerations that may help define the nature of the US-China relationship in the years ahead.

First, the world is amid a transition from unipolarity toward multipolarity as China's influence grows. China's economy is on pace to be as large as the US by 2030, and as shown below, China is now home to more Fortune 500 companies than the US (Exhibit 1).

Exhibit 1. Fortune 500 Companies By Country

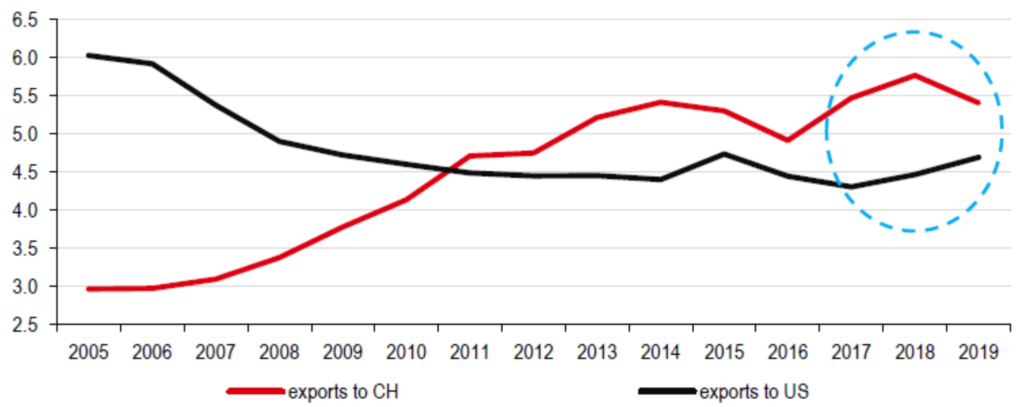


Source: Bank of America Global Investment Strategy, Fortune 500

Second, the retreat by the US from multilateral institutions has created an opening for China to increase both its soft power and economic influence, through initiatives such as the Regional Comprehensive Economic Partnership (RCEP), the Belt and Road Initiative (BRI), and the Asian Infrastructure Investment Bank (AIIB).

Third, we have transitioned from an era in which goods were "made in China" to one in which they are increasingly "made for China." For many countries in Asia, China has overtaken the US as the major source of final demand (Exhibit 2).

Exhibit 2. Final Demand Exposure of Asia Ex Mainland China (% of GDP)

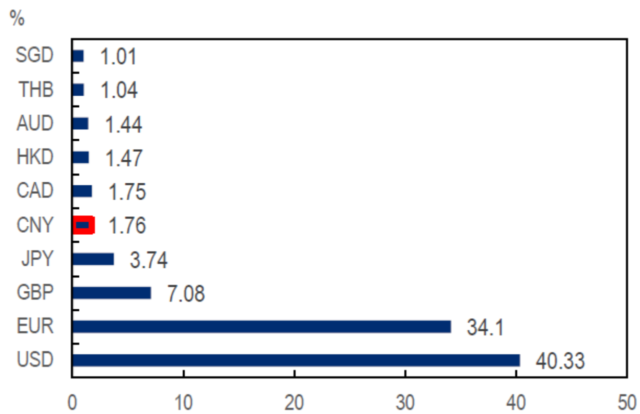


Source: Organization for Economic Co-operation and Development, HSBC, NB: CH refers to mainland China

As HSBC notes, "it looks increasingly likely that, come November, most of the region's economies will ink the Regional Comprehensive Economic Partnership (RCEP), a major trade liberalization agreement. Meanwhile, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) started life over a year ago, is chugging along according to plan, and may be extended over time. Neither of these agreements, however, include the US. And that, more than any other unilateral measure, may gradually prompt a decoupling of sorts: if not corrected, it will further shift the center of economic gravity east, with members of both or either club trading increasingly with each other, enjoying a consequent boost to their competitiveness, and thus drawing more and more business their way."

Despite China's increasing economic influence, the US dollar maintains its dominant position as the world's reserve currency. While the dollar's share of global payments is unlikely to be supplanted by the yuan anytime soon, it is likely that China will continue to seek a growing role for its currency (Exhibit 3). As Citigroup notes, "the rising risk of US-China financial decoupling, represented by the tightened regulation on US-listed Chinese firms, weaponization of financial flows, and probable future sanctions on Chinese financial institutions, will lead to more restrictions for China to gain access to dollar financing, thus providing a strong incentive for the Chinese government to accelerate capital market reforms and encourage Renminbi (RMB) internationalization to hedge the dollar shortage risk."

Exhibit 3. Global Payment Currency Share Rank

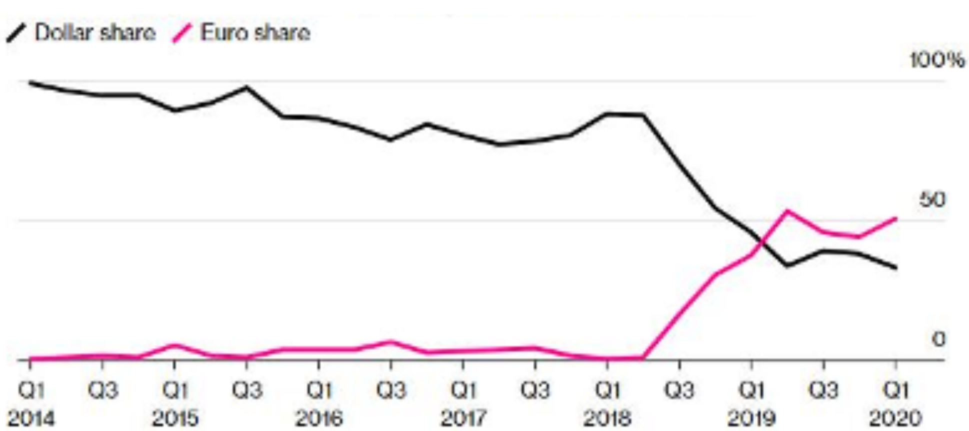


Source: SWIFT, WIND, and Citi Research

Commodities trade is an area where we have seen the role of the yuan grow steadily over time. China is a significant consumer of iron ore, importing approximately $100 billion worth of the commodity in 2019. Recently, China's largest steel company completed its first yuan settlement with three major Australian and Brazilian iron ore producers. China exports a similar amount of goods to these countries as it imports in iron ore, so theoretically, the yuan proceeds received by these countries could be used to import manufactured goods from China.

Similarly, Russia and China have settled oil and gas transactions in yuan for the past several years, and some Middle Eastern exporters have begun to do so as well. As shown below, China is also increasingly using the euro to pay for its imports from Russia (Exhibit 4).

Exhibit 4. Currency Denomination of Russia's Exports to China



Source: Bank of Russia

While a large scale de-dollarization may be difficult to achieve, given the dollar's prominent role and the yuan's lack of convertibility, a side-effect of the growing US-China tensions is likely to be a greater diversification of currencies used in global payments, particularly for commodities.

A thaw in the US-China tensions seems unlikely in such close proximity to the 2020 US election, and further turbulence may lie ahead in the near-term as certain members of the current US administration seek to instill more deeply entrenched policies toward China.

However, a descent into a full-fledged decoupling threatens to be a lose-lose, as a number of large US-based multinational companies are deeply integrated in China's economy and stand to forgo billions of dollars in revenue in such a scenario. Further, crises such as COVID-19 and the threat associated with climate change call out for more coordinated action, rather than a further splintering of global relationships.

Despite the elevated tensions, we continue to see a robust opportunity set in China. Emblematic of the changing global dynamics, emerging markets have been less centered around export-led growth in recent years, and more driven by a number of inward-looking opportunities, which are represented in our positioning within China. These include the localization of technology supply chains, the improving perception of local consumer brands, and the growth of domestic travel. While rising tensions may be accompanied by volatility in equity markets, this shifting landscape is also creating new opportunities for investors.

Performance Review

The Driehaus Emerging Markets Small Cap Growth Fund, net of fees, returned 0.95% in August, compared to the MSCI Emerging Markets Small Cap Index, net dividend, return of 4.10%.[1] At the sector level, the most significant contributors to returns were consumer discretionary and industrials. Information technology and health care detracted the most value. At the country level, India and Vietnam contributed most to performance for the month, while South Korea and Turkey were notable detractors from performance.

Positioning and Outlook

With the conclusion of the second quarter earnings season, we have taken the opportunity to evaluate both company and industry-specific changes in competitive landscapes, market opportunities, and the trajectory of earnings growth. We continue to observe a positive tailwind for corporate earnings in North Asia, particularly within areas tied to innovation.

In addition to these structural trends, we observe an acceleration in numerous cyclical industries in China. Authorities have emphasized the development of various city clusters, including the Greater Bay Area in southern China, which represents 5% of the country's population and 11% of its gross domestic product. Companies engaged in the production of cement, steel, and construction equipment are benefiting from increasing demand tied to the development of city clusters and the overall recovery of the economy, as policymakers are intently focused on generating employment in the aftermath of COVID-19.

[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.**

Outside of North Asia, we see an improving backdrop at the margin in India. The bottom-up case has improved for companies engaged in manufacturing, which are benefiting from import substitution, as well as areas like food delivery, agrochemicals, pharmaceuticals, and healthcare diagnostics.

Going forward, we are watching the incremental change in inflation across a number of countries. Following the initial COVID-19 led demand shock, a deflationary impulse was met with aggressive interest rate cuts by global central banks. Recent statements or actions by a host of emerging market central banks suggest we may be approaching the near-term limits of those cuts, as policymakers are watching the evolution of inflation expectations.

Certain commodity prices have staged sharp recoveries, and an extreme amount of fiscal and monetary stimulus has unfolded over the past five months. Within the fund's positioning, we continue to balance the structural growth opportunities in areas like technology and health care with companies that would benefit in a more inflationary backdrop, with a slight overweight to the materials sector and allocations to a number of recovery growth companies. Throughout the second half of 2020, we will be closely watching the path of inflation expectations and adjusting the portfolio accordingly.

Until next month,

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

Driehaus Emerging Markets Small Cap Growth Fund

% Month-End Performance (as of 8/31/20)

			Annualized				
	MTH	YTD	1 Year	3 Year	5 Year	10 Year	Inception[1]
Driehaus Emerging Markets Small Cap Growth Fund[2]	**0.95**	**10.71**	**25.98**	**6.51**	**5.35**	**5.95**	**10.86**
MSCI Emerging Markets Small Cap Index (ND)[3] (Benchmark)	4.10	-0.77	10.81	-0.53	4.95	2.36	10.41
MSCI Emerging Markets Small Cap Growth Index (ND)[4] (Index)	4.17	6.54	19.30	1.63	4.28	2.25	10.05

% Quarter-End Performance (as of 6/30/20)

			Annualized				
	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Inception[1]
Driehaus Emerging Markets Small Cap Growth Fund[2]	**32.14**	**2.64**	**14.28**	**6.56**	**0.92**	**5.79**	**10.31**
MSCI Emerging Markets Small Cap Index (ND)[3] (Benchmark)	27.14	-12.74	-8.82	-2.95	-1.38	1.78	9.34
MSCI Emerging Markets Small Cap Growth Index (ND)[4] (Index)	29.57	-8.21	-2.81	-1.76	-2.26	1.39	8.79

% Calendar Year Performance[1] (as of 12/31/19)

	Annualized										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
DRESX[2]	**60.95**	**26.09**	**-14.29**	**28.83**	**12.11**	**5.76**	**-10.22**	**-9.97**	**33.30**	**-24.00**	**33.71**
Benchmark[3]	113.79	27.17	-27.18	22.22	1.04	1.01	-6.85	2.28	33.84	-18.59	11.50
Index[4]	112.93	23.50	-27.76	21.94	2.63	1.32	-4.76	-4.48	31.30	-19.97	12.02

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance Data as of 8/31/20.

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. 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]The Fund's predecessor limited partnership has an inception date of 12/1/2008. [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 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. An investor cannot invest directly in an index.

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 September 14, 2020 and are subject to change at any time due to changes in market or economic conditions. The commentary has not been updated since September 14, 2020 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.

Investments in overseas markets can pose more risks than U.S. investments, and share prices are expected to be more volatile than that of a U.S.-only fund. 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 in the overseas markets. In addition, returns of the Fund 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 invest. These risks are generally greater when investing in emerging markets. These and other risk considerations are discussed in the prospectus for the Fund.

At times, a significant portion of the 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 this Fund may not experience similar performance results as its assets grow.

The Fund invests in companies that are smaller, less established, with limited operating histories and less liquid markets for their stock, and therefore may be riskier investments. While small- and medium- sized companies generally have the potential for rapid growth, the securities of these companies often involve greater risks than investments in larger, more established companies because small- and medium-sized companies may lack the management experience, financial resources, product diversification and competitive strengths of larger companies. In addition, in many instances the securities of small- and medium-sized companies are traded only over-the-counter or on a regional securities exchange, and the frequency and volume of their trading is substantially less than is typical of larger companies. The value of securities of smaller, less well known issuers can be more volatile than that of larger issuers.

It is anticipated that the Fund will experience high rates of portfolio turnover, which may result in payment by the Fund of above-average transaction costs. These are nondiversified funds compared to other funds, the Fund may invest a greater percentage of assets in a particular issuer or a small number of issuers. As a consequence, the Fund may be subject to greater risks and larger losses than diversified funds.

Market Turbulence Resulting from COVID-19. The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund.

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.

Foreside Financial Services, LLC, Distributor