

# Driehaus Emerging Markets Opportunities Fund Summary

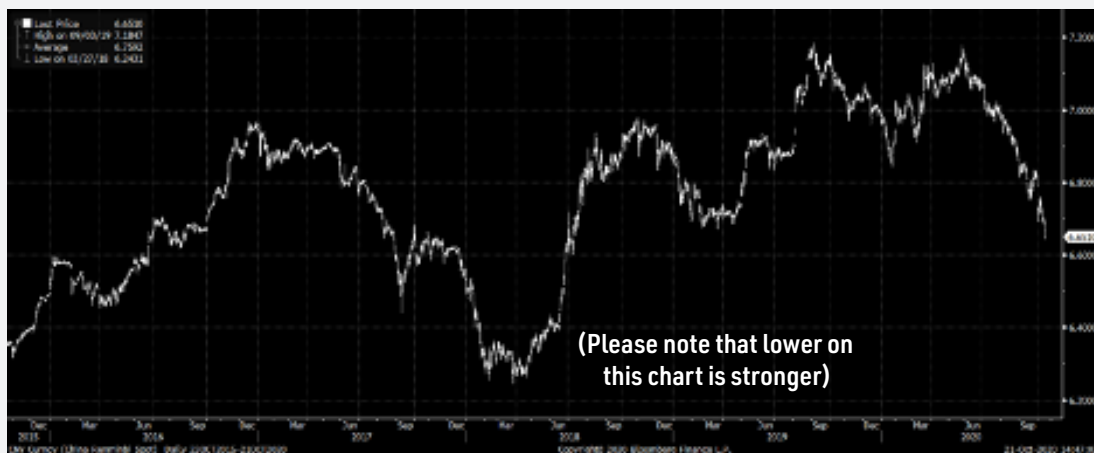
3<sup>RD</sup> QUARTER 2020

## Market Overview

Much the way living through this period makes you feel like one day bleeds into the next, each day indistinguishable from the last. So it is for the main trends in emerging markets and the themes we have written about here the past few updates generally remain the same, with the main change being the relative valuation of some of the winners from the pandemic. Countries across emerging markets are in vastly different situations with regard to the pandemic and that is creating more opportunity than normal for active managers. Broadly, North Asia continues to outperform with regard to the virus and thereby, economically. In addition to having stronger domestic economies, these countries also benefit when consumers in developed markets spend more money on physical goods and imports rise, as they are doing now. At the macro level, the shift in spending patterns from consumers across the world to durable goods from services will continue as long as the pandemic remains with us, and that is positive for many emerging markets. In an odd twist, consumption in domestic markets has been a key engine for growth in emerging markets and it's one that is not slowing down.

We highlight this because it is helping reverse something that was a major headache for emerging market (EM) investors the past few years, namely the fundamental position of the Chinese yuan. As our readers will know, we feel very strongly about the dollar's role in both the direction of EM assets as well as relative winners and losers therein. Nothing is more important within that than the Chinese currency and we believe that barring a geopolitical deterioration between the U.S. and China, that we've passed the worst of yuan performance and that is very positive for EM assets.

## Exhibit 1: The Chinese yuan continues to appreciate amid strong fundamentals

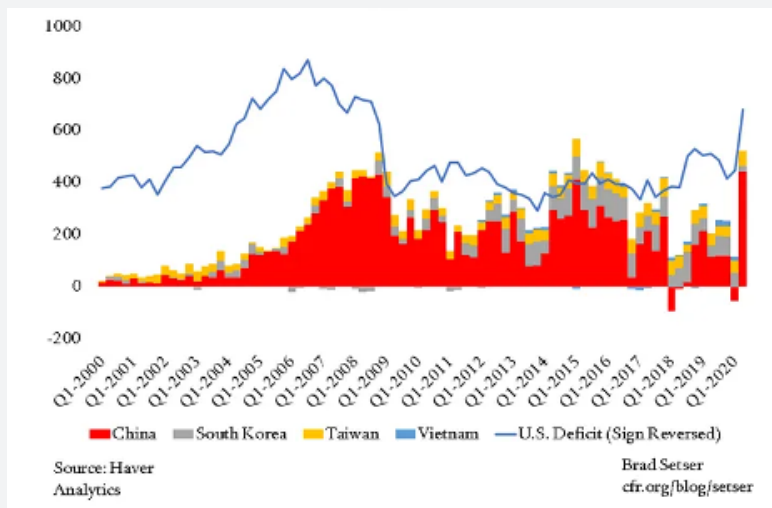


Source: Bloomberg

**Driehaus Emerging Markets Opportunities Fund**

In the Driehaus Emerging Markets Opportunities Fund, we have long believed that Chinese government bonds were an essential holding. They are among the best hedges to global risk assets, they have all the characteristics of a super low-yielding sovereign bond yet enjoy roughly 3% yield (large in today's world), and they are denominated in an undervalued currency. The weakening of the dollar year-to-date is reversing the recent pressure on the currency, as is the current political wisdom that Donald Trump is a one-term president. China is undergoing a foreign buying boom of its government bonds like we've never seen before in a very literal sense; we've never seen this before because it wasn't allowed. For a global allocator, it's an obvious add and capital inflows are coming in size at a time when foreign accumulation of other debt (like that backed by the full faith and credit of the U.S. government) begins to wane. This provides a new support for the yuan. We always believe that in this low-rate world, FX responds to economic momentum even more and China easily has that relative to the developed world. Most importantly, we have seen an underdiscussed huge swing toward Chinese balance of payments surpluses alongside exploding trade deficits (in addition to the fiscal deficit) in the U.S. Barring a major shift in the political climate, this all spells a stronger yuan.

**Exhibit 2: Quarterly Balance of Payments Data Annualized, U.S. and China, Seasonally Adjusted, USD Billion**



Source: [cfr.org/blog/setser](http://cfr.org/blog/setser)

This matters to emerging market investors for a host of reasons, but we will try to be brief. The first and most obvious thing is that it's much more enjoyable to make money on Chinese investments for dollar-based investors than to lose on currency depreciation. Beyond that, statistically the Chinese currency is the primary driver of many EM currencies and when the yuan appreciates, so do many peer currencies. Apart from the impact on EM FX specifically, a weaker dollar is better for terms of trade for most EM countries and reverses a key pillar of the global deflationary wave the past several years. While a somewhat more esoteric principle but extremely important for Chinese equities is what this stronger currency means for domestic policy. There are few constraints to policy when you have an external surplus as large as China's, but the one that has been present the past few years is the currency. When the People's Bank of China (PBOC) needed to ease liquidity domestically, amid a strengthening dollar and tightening Fed, they could only move

Driehaus Emerging Markets Opportunities Fund

very cautiously. With no external pressure on the currency, there are no real, hard constraints on the PBOC aside from domestic ones (housing prices, etc). Don't believe us? We leave you with this chart of the PBOC's balance sheet in dollars alongside that of the Federal Reserves. If you squint, you can see the PBOC's ~\$500bn balance sheet at the bottom (alongside the \$7 trillion+ and rising quickly at the Fed).

**Exhibit 3: U.S Federal Reserve balance sheet vs the PBOC's balance sheet for the past 20 years**



Source: Bloomberg

**Performance Review**

The third quarter was strong for the fund, returning 9.08%, continuing a year where the fund's flexibility has been an advantage.<sup>1</sup> The most notable element of the third quarter was the sharp outperformance of emerging market equities relative to non-equities, with the MSCI Emerging Market Equity Index rising 9.56% while the JPMorgan Emerging Market Global Unconstrained Bond Index was up less than 1%. While we aim to outperform the equity index even while retaining an allocation to fixed income, we are pleased to be able to keep up with it during a period of sharp underperformance of non-equities. In part, this was due to the fund having a very low allocation to non-equities by historical standards. Year to date, the fund has returned 10.72% versus the MSCI Emerging Markets Index return of -1.16 and on a trailing 3-year basis, the fund has returned 22.9% compared to the MSCI Emerging Market Index's 8.49% total return.

<sup>1</sup>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](http://www.driehaus.com) for more current performance information.**

## Driehaus Emerging Markets Opportunities Fund

The strongest areas of return for the portfolio during the third quarter were concentrated in north Asia, specifically, equity investments in both China and Taiwan. Within Taiwan, the fund's large exposure to a leading semiconductor company which saw its dominant position within leading edge manufacturing bolstered during the quarter at the expense of a large American competitor was the single biggest contributor to performance. The Taiwanese economy continues to benefit from the strength in the semiconductor cycle, the country's incredibly effective response to the COVID-19 pandemic (7 total deaths), and a strong real estate market; a theme which the fund also has had exposure. Beyond Taiwan, equities in China were also a strong contributor to the fund's absolute return despite being a small drag relative to the benchmark given the overall underweight position. The strength came from a combination of ecommerce exposures, food delivery and an investment in a company related to the recovery of domestic tourism.

As we have discussed in our previous commentaries, the fund's allocation to fixed income has reduced, to a low of 15% of total fund assets in September. The biggest detractor for the fund was simply having capital in non-equity securities which did not participate in the equity market's ebullience during the third quarter. The fund did not have any notable underperformers within fixed income positions as we have generally avoided those lower-quality countries with rising external debt burdens and heavier issuance calendars given the drop in revenue from the COVID-driven economic weakness. In addition to higher dollar funding needs for many sovereigns, ratings downgrades have been common across the space in recent months as increasingly are technical defaults in the high-yield space. The fund has not had exposure in any of these problem areas and, we believe, this affirms why having selective exposure to EM non-equities within a broader portfolio remains the best risk-adjusted way to access the opportunity set.

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– Driehaus Emerging Markets Growth Team

# Driehaus Emerging Markets Opportunities Fund

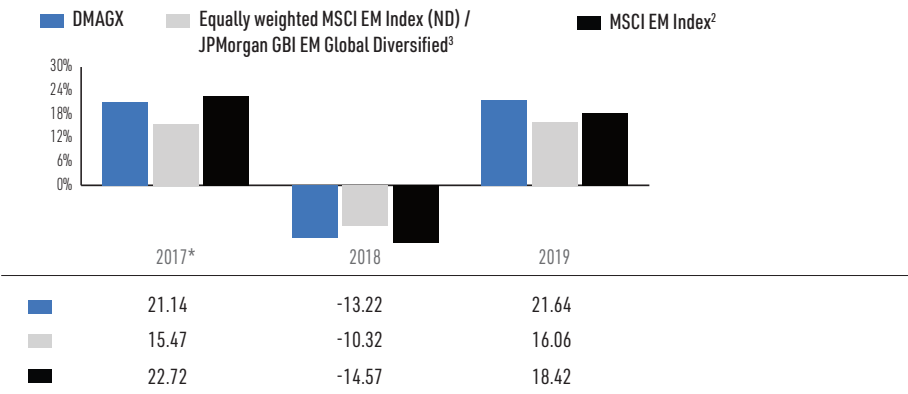
## % Month-End Performance (as of 9/30/20)

	Annualized				
	MTH	YTD	1 Year	3 Year	Inception <sup>1</sup>
Driehaus Emerging Markets Opportunities Fund*	-1.93	10.72	22.36	7.12	10.52
MSCI Emerging Markets Index (ND) <sup>2</sup>	-1.60	-1.16	10.54	2.42	6.06
Equally weighted MSCI EM Index (ND)/JPMorgan GBI EM Global Diversified <sup>3</sup>	-1.80	-3.48	4.72	1.51	4.36

## % Quarter-End Performance (as of 9/30/20)

	Annualized				
	QTR	YTD	1 Year	3 Year	Inception <sup>1</sup>
Driehaus Emerging Markets Opportunities Fund*	9.08	10.72	22.36	7.12	10.52
MSCI Emerging Markets Index (ND) <sup>2</sup>	9.56	-1.16	10.54	2.42	6.06
Equally weighted MSCI EM Index (ND)/JPMorgan GBI EM Global Diversified <sup>3</sup>	5.06	-3.48	4.72	1.51	4.36

## % Calendar Year Returns (Since Inception)



Source: Factset Research Systems, Inc. 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](http://www.driehaus.com) for more current performance information.

\*Driehaus Multi-Asset Growth Economies Fund changed its name to Driehaus Emerging Markets Opportunities Fund on January 29, 2020. There has been no change in the investment style of the fund.

<sup>1</sup>4/10/2017. <sup>2</sup>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. An investor cannot invest directly in an index. <sup>3</sup>The equally weighted benchmark consists of 50 percent of the MSCI Emerging Market Index (ND) and 50 percent of the JPMorgan GBI Emerging Markets Global Diversified. JPMorgan Global Bond Index Emerging Markets Global Diversified tracks debt instruments in the emerging markets (includes a broader array of countries than the EMBI Plus). <sup>4</sup>Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated April 30, 2020. 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 (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 ratio of 1.01% until the earlier of the termination of the investment advisory agreement, by the Board of Trustees or the Fund's shareholders, or April 30, 2022. 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 is made, 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.

## Ticker

DMAGX

## Key Features

- Draws on the expertise and research of the Driehaus emerging markets Team
- Integration of macroeconomic and fundamental analysis
- Disciplined relative value investment approach to country, sector and security selection
- Opportunistic use of fixed income to express best risk-adjusted emerging markets ideas

## Facts

Inception Date	4/10/17
Fund Assets Under Management	\$37M
Firm Assets Under Management	\$10.2B

## Annual Operating Expenses<sup>4</sup>

Gross Expenses	1.88%
Net Expenses	1.01%

## Portfolio Characteristics (Since Inception)<sup>1</sup>

	Fund	MSCI Emerging Markets Index (ND) <sup>2</sup>
Annualized Return	10.6	6.2
Standard Deviation	15.7	19.7
Sharpe Ratio	0.6	0.2
Upside Capture % (MSCI EM)	42.7	100.0
Downside Capture % (MSCI EM)	92.9	100.0
Annualized Alpha	8.0	0.0

## Portfolio Management

**Richard Thies**, Lead Portfolio Manager  
13 years of industry experience

**Howard Schwab**, Portfolio Manager  
19 years of industry experience

**Chad Cleaver, CFA**, Portfolio Manager  
18 years industry experience

**Jonathon Mersheimer, CFA**, Assistant Portfolio Manager  
11 years industry experience

## Driehaus Emerging Markets Opportunities Fund

### Country Weights (%)

	Equity Fund Weight	Fixed Income Fund Weight	Benchmark Weight
Brazil	2.9	2.1	4.6
Cayman Islands	0.5	0.0	0.5
Chile	0.6	0.0	0.5
China	24.6	2.9	37.2
Egypt	0.0	2.3	0.1
France	1.2	0.0	0.0
Hong Kong	6.3	0.0	3.6
India	6.8	0.0	8.3
Indonesia	0.8	1.8	1.2
Jersey	0.9	0.0	0.0
Malaysia	0.0	1.0	1.7
Mexico	1.0	3.5	1.6
Netherlands	0.6	0.0	0.4
Poland	1.6	0.0	0.6
Russia	3.3	0.0	2.5
Singapore	1.2	0.0	0.0
South Africa	1.1	1.5	3.5
South Korea	8.9	0.0	12.1
Taiwan	10.1	0.0	12.8
Ukraine	0.0	0.8	0.0
United States	4.8	0.0	0.6
Cash/Other*	6.9	0.0	0.0

### Sector Weights (%)

	Fund	Benchmark	Active Weights
Comm. Services	11.8	12.7	-1.0
Consumer Discretionary	12.9	20.2	-7.3
Consumer Staples	6.9	6.1	0.8
Energy	2.1	5.4	-3.4
Financials	9.4	17.2	-7.7
Health Care	5.4	4.3	1.1
Industrials	3.0	4.4	-1.3
Information Technology	19.9	18.5	1.5
Materials	3.9	6.9	-3.0
Real Estate	2.0	2.4	-0.4
Cash/Other*	6.9	0.0	6.9
Fixed Income	15.8	0.0	15.8

### Asset Allocation (%)

Equity	77.3
Fixed Income	15.8
Cash/Other*	6.9

Source: Driehaus Capital Management LLC  
Data as of 9/30/20.

\*Includes any other non-equity or fixed-income security types.

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. **TERMS: Downside Capture** is the down-market capture ratio is a statistical measure of an investment manager's overall performance in down-markets. The ratio is calculated by dividing the manager's returns by the returns of the index during the down-market and multiplying that factor by 100. **Upside Capture** is the up-market capture ratio is the statistical measure of an investment manager's overall performance in up-markets. The ratio is calculated by dividing the manager's returns by the returns of the index during the up-market and multiplying that factor by 100. **Effective duration** takes into account that expected cash flows will fluctuate as interest rates change. **Sharpe Ratio** is calculated by finding the portfolio's excess return and then dividing by the portfolio's standard deviation. Includes any other non-equity or fixed-income security types.

**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

## Driehaus Emerging Markets Opportunities Fund

## Country Performance Attribution 3rd Quarter – 6/30/20 to 9/30/20

MSCI Country	Driehaus Emerging Markets Opportunities Fund (Port) (%)			MSCI Emerging Markets Index <sup>1</sup> (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 <sup>2</sup>
Argentina	0.00	0.00	0.00	0.06	6.67	0.00	0.00
Brazil	6.09	4.45	0.35	7.26	-1.77	-0.08	0.45
Canada	1.47	-8.93	0.15	0.00	0.00	0.00	0.04
Cayman Islands	0.67	11.86	0.11	0.26	11.02	0.03	0.04
Chile	1.02	25.46	0.18	1.76	-0.42	-0.00	0.24
China	27.18	13.38	3.52	20.84	12.40	2.44	0.67
Colombia	0.00	0.00	0.00	2.41	0.81	0.02	0.12
Czech Republic	0.79	5.97	0.05	1.96	2.80	0.06	-0.02
Dominican Republic	0.00	0.00	0.00	1.01	13.32	0.13	-0.07
Egypt	2.32	3.07	0.07	0.05	4.58	0.00	-0.06
France	1.23	1.79	0.03	0.00	0.00	0.00	-0.04
Germany	0.00	0.00	0.00	0.01	4.71	0.00	0.00
Greece	0.00	0.00	0.00	0.07	3.27	0.00	0.00
Hong Kong	6.13	3.32	0.19	1.88	4.76	0.10	-0.08
Hungary	0.00	0.00	0.00	1.71	0.56	0.02	0.08
India	6.98	14.65	0.95	4.08	14.95	0.58	0.22
Indonesia	2.49	-2.78	-0.09	5.22	-0.76	-0.04	0.11
Ireland	0.00	0.00	0.00	0.03	-6.52	-0.00	0.01
Jersey	0.30	-3.90	-0.03	0.06	25.90	0.01	-0.02
Luxembourg	0.00	0.00	0.00	1.04	2.50	0.03	0.03
Malaysia	1.01	5.58	0.06	3.55	4.58	0.16	0.04
Mexico	4.09	4.12	0.17	6.39	5.76	0.36	-0.06
Netherlands	1.08	4.97	0.05	0.08	-2.55	-0.01	0.02
Pakistan	0.00	0.00	0.00	0.01	12.38	0.00	0.00
Peru	0.49	2.29	0.02	1.60	0.37	0.01	0.04
Philippines	0.00	0.00	0.00	1.53	3.71	0.06	0.04
Poland	1.60	11.80	0.18	3.31	2.63	0.09	0.19
Qatar	0.00	0.00	0.00	0.40	7.46	0.03	-0.00
Romania	0.00	0.00	0.00	1.50	5.99	0.09	-0.00
Russia	3.41	6.22	0.21	3.91	-7.78	-0.30	0.57
Saudi Arabia	0.00	0.00	0.00	1.30	9.33	0.11	-0.04
Singapore	0.87	45.79	0.35	0.01	8.67	0.00	0.30
Slovenia	0.21	-1.15	-0.00	0.00	0.00	0.00	-0.04
South Africa	2.11	2.63	0.06	4.98	4.90	0.26	-0.02
South Korea	7.77	10.11	0.73	5.84	12.83	0.70	-0.02
Sweden	0.00	0.00	0.00	0.01	-2.40	-0.00	0.01
Taiwan	9.75	18.49	1.67	6.29	16.54	0.97	0.49
Thailand	0.00	0.00	0.00	4.95	-4.92	-0.25	0.55
Turkey	0.51	-3.61	-0.07	1.54	-14.46	-0.23	0.17
Ukraine	0.86	-5.17	-0.04	0.00	0.00	0.00	-0.10
United Arab Emirates	0.35	-19.48	-0.08	0.26	6.22	0.01	-0.11
United Kingdom	0.00	0.00	0.00	0.14	3.16	0.00	0.01
United States	3.95	6.57	0.26	1.53	0.41	0.01	0.13
Uruguay	0.00	0.00	0.00	0.99	10.49	0.10	-0.03
Other	0.00	0.00	0.00	0.03	0.00	0.00	0.01
Cash	5.27	-0.16	-0.01	0.16	0.03	0.00	-0.26
<b>Total</b>	<b>100.00</b>	<b>9.09</b>	<b>9.09</b>	<b>100.00</b>	<b>5.46</b>	<b>5.46</b>	<b>3.63</b>

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. <sup>1</sup>A definition of this index can be found on page 5 of this document. <sup>2</sup>Total Effect - The Total Effect for each MSCI/GICS Sector is equal to the sum of the individual Attribution Effects for that MSCI/GICS Sector.