

Driehaus Emerging Markets Small Cap Growth Fund Commentary

The end of April tends to be a relatively quiet time for emerging market investors, as nearly every country recognizes Labor Day on May 1. With more than 70 stock exchanges around the world closed for the holiday, May 1 provides a temporary respite from market action, allowing for an extra day to strategize on portfolio positioning ahead of earnings season. However, the one twist to this mid-week holiday is that the US market is one of the few that is open for business during the day.

This is ironic, in that Labor Day actually started in the US, and in fact its origins lie in our hometown of Chicago. In 1886, strikes unfolded after business owners resisted

the introduction of the eight hour work day, culminating with an explosion in Haymarket Square. Ultimately, US President Grover Cleveland decided on an alternative date to recognize the labor holiday, as a way to provide distance from the violence.

Thus it seems only fitting that leading up to Labor Day, another marked divergence has developed between the US and the rest of the world. While US economic data have held up well relative to expectations, the rest of the world has undergone a period of negative surprises on the macro front. (Exhibit 1)

Exhibit 1: Citigroup Economic Surprise Index



Source: Bloomberg

Disclosures

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 May 8, 2018 and are subject to change at any time due to changes in market or economic conditions. The commentary has not been updated since May 8, 2018 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

In our view, the growth differential that has opened up, particularly between the US and Europe, is the primary driver behind the recent strength in the US dollar. Emerging market(EM) currencies have also come under pressure along with the dollar strength. (Exhibit 2) As we wrote in last month’s commentary, we continue to expect growing dispersion within FX, marking a shift from the 2016-2017 period that saw most EM currencies strengthen in tandem with the market recovery.

We continue to see favorable carry, growth differentials, and external balances across most EM economies, which we expect to remain supportive of medium-term fundamental factors, particularly in an environment in which the US fiscal and current account deficits widen.

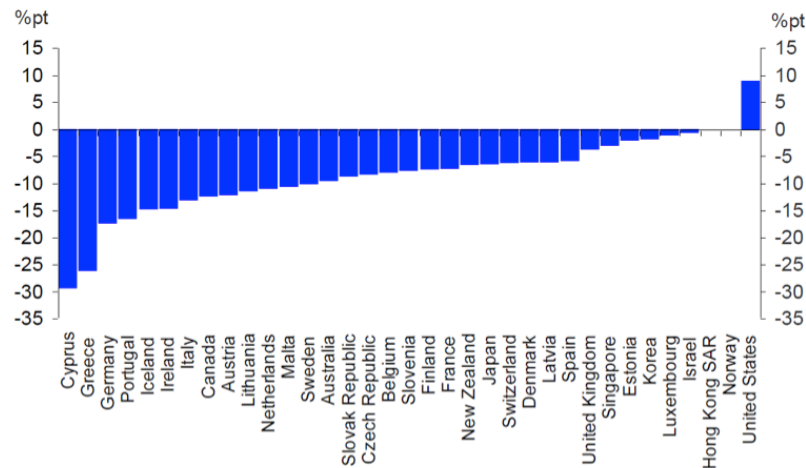
Keeping with the theme of the US bucking the trends seen elsewhere in the world, it is notable that the US is the only country expected to expand its government debt in the next five years. (Exhibit 3)

Exhibit 2: EM Currency Basket



Source: Bloomberg

Exhibit 3: Change in government debt-to-GDP ratio 2018-2023



Source: IMF Forecasts, Haver Analytics, DB Global Markets Research

That said, within EM, we see select countries that face growing pressure as a result of rising US dollar denominated debt, which in some cases outstrips FX reserves. Turkey is one such example, where private USD-denominated debt is estimated to be approximately \$300 billion, while foreign exchange reserves stand at \$86 billion. After a series of unorthodox macroeconomic

policies, Turkey finds itself in a difficult position with sticky inflation, slowing growth, and the aforementioned increase in external debt. Thus, it is no surprise that the Turkish lira has markedly underperformed EM currencies over the past two years. The fund continues to maintain no exposure to Turkey, in large part due to the deteriorating macro environment we observe.

Performance Review

The Driehaus Emerging Markets Small Cap Growth Fund, net of fees, returned -1.75% in March, compared to the MSCI Emerging Markets Small Cap Index (ND), return of -0.11%.¹ At the sector level, the most significant contributors to returns were materials and consumer

staples. The consumer discretionary and industrials sectors detracted the most value. At the country level, China and South Africa contributed most to performance for the month, while South Korea and Malaysia were notable detractors from performance.

Positioning and Outlook

In the months ahead, we expect a stabilization and modest pickup in growth, as activity levels recover in China, following an extended period of downtime during the Lunar New Year in March, preceded by environmentally-driven winter curtailments of industries tied to industrial production and commodities.

More worrisome for the growth outlook, however, is the ongoing slowdown in credit growth in China, as deleveraging continues to work through the system. Thus far, such activity has been met with liquidity injections, and this policy continued in April as monetary authorities cut reserve requirements while the Politburo signaled efforts to underpin economic growth targets, both measures representing fine-tuning of policy.

Broadly, we continue to position the portfolio in a combination of high quality, defensible business models, which are positioned to grow with minimal ties to the macroeconomic environment, along with companies that exhibit strengthening pricing power due to waning competitive intensity and underinvestment in capacity in recent years.

Following the volatility spike in mid-February associated with an unwind of short volatility products, we have observed a normalization of volatility conditions over the past three months. We view this as an attractive opportunity to add hedges to the portfolio, and have increasingly positioned for rising volatility across EM.

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.**

Additionally, we have hedged a portion of our currency exposure in India, as the environment of plentiful excess liquidity has dissipated, while stubbornly high oil prices represent an additional pressure. Lastly, we have hedged interest rate exposure in Brazil, recognizing that real interest rates have declined substantially over the past two years, and that the recent bout of currency weakness may force a rethink regarding the forward outlook for interest rates.

We expect this balanced approach to provide durability to the portfolio in a backdrop in which macro risks and country level dispersion are both on the rise. In some cases, we are opting to avoid certain countries altogether, as in the case of Turkey, or increasingly hedge the associated macro risks in areas where we maintain a positive medium-term fundamental view, such as Brazil and India.

Until next month,

A handwritten signature in black ink, appearing to read "Chad A. Cleaver". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Chad Cleaver, Lead Portfolio Manager

Driehaus Emerging Markets Small Cap Growth Fund

DRESX Performance Review

Month-end Performance as of 4/30/18

Fund/Index	MTH	YTD	1 Year	Average Annual Total Return		
				3 Year	5 Year	Since Inception ¹
DrieHaus Emerging Markets Small Cap Growth Fund ²	-1.75%	-1.13%	15.92%	-0.99%	2.38%	12.18%
MSCI Emerging Markets Small Cap Index (ND) ³	-0.11%	0.05%	17.16%	4.14%	4.14%	14.42%
MSCI Emerging Markets Index (ND) ⁴	-0.44%	0.97%	21.71%	6.00%	4.74%	11.36%

Calendar Quarter-end Performance as of 3/31/18

Fund/Index	QTR	YTD	1 Year	Average Annual Total Return		
				3 Year	5 Year	Since Inception ¹
DrieHaus Emerging Markets Small Cap Growth Fund ²	0.63%	0.63%	21.70%	1.32%	3.53%	12.51%
MSCI Emerging Markets Small Cap Index (ND) ³	0.17%	0.17%	18.62%	7.23%	4.58%	14.56%
MSCI Emerging Markets Index (ND) ⁴	1.42%	1.42%	24.93%	8.81%	4.99%	11.52%

Annual Fund Operating Expenses⁵

Management Fee	1.50%
Other Expenses	0.32%
Total Annual Fund Operating Expenses	1.82%

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 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.

⁵Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated April 30, 2018. 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.

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 2018. 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

DRESX Portfolio Characteristics

Portfolio Snapshot

	<i>excluding cash</i>	
Assets Under Management (AUM)	\$256,808,740	
Long Exposure	\$259,305,305	\$237,370,868
Short Exposure	(\$26,656,886)	(\$26,656,886)
Net Exposure	\$232,648,420	\$210,713,982
Net Exposure/AUM	90.59%	82.05%
Gross Exposure	\$285,962,191	\$264,027,754
Gross Exposure/AUM	1.11x	1.03x

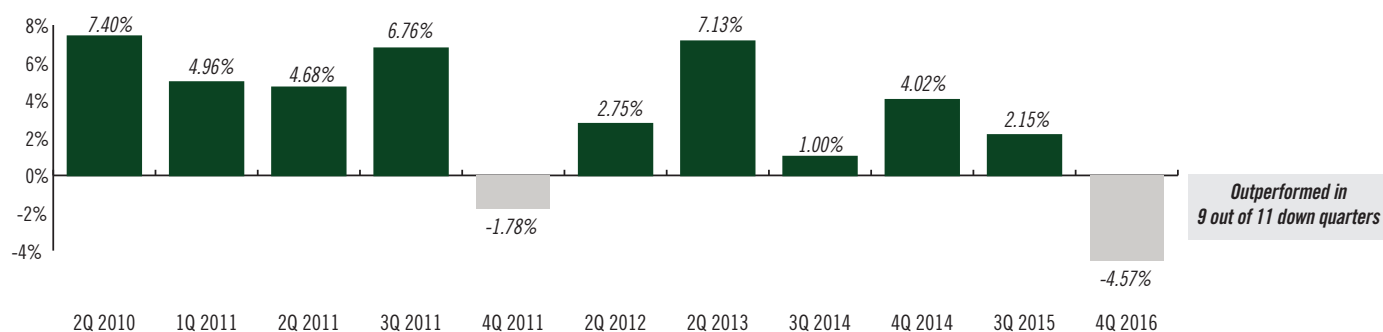
Portfolio Characteristics

	Fund	Benchmark
Number of Equity Holdings	118	1,811
Active Share (3-year avg.) ¹	111.51	n/a
Est. 3-5 Year EPS Growth	26.5%	21.2%
Weighted Avg. Market Cap (\$M)	\$3,803	\$1,554
Median Market Cap (\$M)	\$2,594	\$771
Mkt. Cap Breakout	< \$5 billion	77.0%
	> \$5 billion	23.0%
		98.6%
		1.4%

Risk & Return Characteristics (Trailing 5-years)

	Fund	MSCI EM Small Cap Index (ND)	Fund	MSCI Emerging Markets Index (ND)
Annualized Return	2.38	4.14	2.38	4.74
Standard Deviation	11.32	13.60	11.32	14.98
Upside Capture	61.85	100.00	49.37	100.00
Downside Capture	71.73	100.00	60.42	100.00
Beta	0.65	1.00	0.51	1.00
Alpha	-0.24	n/a	0.05	n/a
Sharpe Ratio	0.18	0.28	0.18	0.29
R-squared	0.61	1.00	0.46	1.00
Tracking Error	8.51	0.00	11.02	0.00
Information Ratio	-0.21	n/a	-0.21	n/a
# Negative Monthly Returns	26	25	26	25
# Positive Monthly Returns	34	35	34	35

FUND'S EXCESS RETURNS² (%pts) vs. MSCI EM Small Cap Index (ND) — Quarters with Negative Index Returns, Since Inception (12/1/08)



Source: FactSet Research Systems LLC and Driehaus Capital Management. Data calculated with monthly returns. Data as of 4/30/18. ¹Data is calculated monthly. ²This chart depicts Driehaus Emerging Markets Small Cap Growth Fund's (DRESX) outperformance (or under-performance) versus the MSCI Emerging Markets Small Cap Index in all instances where the MSCI Emerging Markets Small Cap Index (ND) had a negative quarterly return since DRESX's inception on 12/1/2008. Net of fee performance is used. MSCI Emerging Markets Small Cap Index. Data as of 3/31/18. Performance for the Driehaus Emerging Markets Small Cap Growth Fund (DRESX) is used. The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment

will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling (800) 560-6111 or visiting our website at www.driehaus.com. Fund returns shown include the reinvestment of all dividends and capital gains. Contractual fee waivers were in effect from inception to 8/21/2014. Without such fee waivers, performance numbers would have been reduced. The total annual fund operating expense for DRESX is 1.82% as disclosed in the 4/30/18 prospectus. Please see notes at end of presentation for more information on indices used. **A definition of key terms can be found on page 10.**

Derivative Weights (%)

Options*	-9.21
<i>MSCI EM ETF Put</i>	
<i>India Earnings Fund Put</i>	
<i>China Large Cap ETF Put</i>	

Currency Forwards**	-0.02
----------------------------	--------------

Interest Rate Swaps**	0.01
<i>Brazilian Currency Swap</i>	

*Options figures are delta adjusted and net.

**Currency Forwards, Interest Rate Swaps and Credit Default Swaps exposures are net.

Sector Weights (% Equity)

	Fund	Benchmark	Active Weights
Consumer Discretionary	15.4	17.0	-1.6
Consumer Staples	8.5	7.1	1.5
Energy	3.6	2.3	1.3
Financials	9.2	8.9	0.3
Health Care	6.6	9.5	-2.9
Industrials	13.0	14.3	-1.3
Information Technology	11.5	15.8	-4.3
Materials	17.2	11.6	5.6
Real Estate	2.4	8.8	-6.4
Telecom. Services	1.3	0.9	0.4
Utilities	2.5	3.8	-1.4
Cash	8.5	0.0	8.5

Country Weights (% Equity)

	Fund	Benchmark	Active Weights
Argentina	2.3	0.0	2.3
Brazil	7.2	5.4	1.8
Cambodia	0.8	0.0	0.8
China	15.0	12.2	2.8
Cyprus	0.8	0.0	0.7
Hong Kong	4.4	7.8	-3.4
India	19.1	14.1	5.0
Indonesia	0.6	2.3	-1.6
Kenya	0.8	0.0	0.8
Malaysia	3.8	3.2	0.7
Mexico	3.6	2.8	0.9
Pakistan	0.4	0.8	-0.4
Peru	0.5	0.2	0.4
Poland	1.7	0.9	0.8
Russia	1.1	0.6	0.5
South Africa	4.2	5.4	-1.2
South Korea	7.2	17.2	-10.0
Taiwan	5.1	16.7	-11.6
Thailand	6.5	3.6	2.9
United Arab Emirates	1.4	0.5	0.8
Vietnam	0.5	0.0	0.5
Other ¹	4.2	0.8	3.4
Cash	8.5	0.0	8.5

Regional Weights (% Equity)

Frontier Markets	6.1
Emerging Markets	76.1
Other Markets	8.6

¹Other represents companies with significant emerging markets related exposures that are not domiciled within an emerging market.
Data as of 3/31/18.

Top 5 Holdings¹ as of 3/31/18

Company	Sector	Country	% of Fund
Magazine Luiza S.A.	Consumer Discretionary	Brazil	1.8
Wuxi Biologics (Cayman) Inc.	Health Care	Hong Kong	1.7
Koh Young Technology Inc.	Information Technology	South Korea	1.6
Via Varejo SA Ctf de Deposito de Acoes Cons of 1 Shs + 2 Pfd Shs	Consumer Discretionary	Brazil	1.6
My E.G. Services Bhd.	Information Technology	Malaysia	1.6

Sector Attribution 3/31/18 to 4/30/18 (US Dollar Denominated)

MSCI/GICS Sector	Driehaus Emerging Markets Small Cap Growth Fund (%)		MSCI Emerging Markets Small Cap Index (ND) ² (%)		Attribution Analysis (%)
	Port Avg. Weight	Port Contrib To Return	Bench Avg. Weight	Bench Contrib To Return	Total Effect ³
Consumer Discretionary	17.4	-0.5	15.9	0.3	-0.8
Consumer Staples	7.3	0.3	6.7	0.1	0.2
Energy	2.0	0.0	2.3	0.0	0.0
Financials	9.9	-0.1	9.2	0.2	-0.3
Health Care	6.9	-0.2	9.7	0.0	-0.2
Industrials	11.5	0.1	14.4	0.1	0.0
Information Technology	13.8	-1.1	16.7	-0.8	-0.4
Materials	15.0	0.5	11.6	0.0	0.6
Real Estate	1.3	0.0	8.8	-0.1	0.1
Telecommunication Services	1.3	-0.1	0.9	0.0	-0.1
Utilities	1.9	0.0	3.8	0.1	-0.1
Cash	8.5	0.0	0.0	0.0	0.0
Other ⁴	3.2	-0.1	0.0	0.0	-0.1
Total	100.0	-1.1	100.0	-0.1	-0.9

Sources: FactSet Research Systems Inc. and Driehaus Capital Management LLC.
The information presented is intended for informational purposes only.
Attribution data is on a trade date basis and is estimated and unreconciled.

¹Holdings subject to change.

²The 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.

³Total Effect - The Total Effect for each MSCI/GICS Sector is equal to the sum of the individual Attribution Effects for that MSCI/GICS Sector.

⁴Includes derivative securities and fees.

A definition of key terms can be found on page 10.

Country Attribution 3/31/18 to 4/30/18 (US Dollar Denominated)

	Driehaus Emerging Markets Small Cap Growth Fund (%)		MSCI Emerging Markets Small Cap Index (ND) ¹ (%)		Attribution Analysis (%)
	Port Avg. Weight	Port Contrib To Return	Bench Avg. Weight	Bench Contrib To Return	Total Effect ³
Argentina	2.6	-0.1	0.0	0.0	-0.1
Brazil	8.0	-0.2	5.4	-0.1	0.0
Cambodia	0.5	0.1	0.0	0.0	0.1
Canada	0.7	0.1	0.0	0.0	0.1
Cayman Islands	0.3	0.0	0.2	0.0	0.0
China	14.8	0.5	12.2	0.1	0.4
Cyprus	0.8	-0.1	0.0	0.0	-0.1
Hong Kong	4.2	0.3	7.6	0.2	0.0
India	17.1	0.7	13.8	0.7	0.0
Indonesia	0.6	-0.1	2.4	-0.1	0.0
Israel	1.3	0.1	0.0	0.0	0.1
Kenya	0.9	-0.1	0.0	0.0	-0.1
Malaysia	3.8	-0.2	3.2	-0.1	-0.1
Mexico	3.4	0.1	2.8	0.0	0.1
Netherlands	0.7	0.0	0.0	0.0	-0.1
New Zealand	0.8	0.0	0.0	0.0	0.0
Pakistan	0.3	0.0	0.8	0.0	0.0
Peru	0.5	0.0	0.1	0.0	0.0
Poland	1.9	0.1	0.9	0.0	0.1
Russia	0.6	0.0	0.6	-0.1	0.1
South Africa	3.1	0.1	5.5	-0.2	0.3
South Korea	7.4	-0.7	17.0	0.2	-1.0
Taiwan	8.1	-1.3	17.1	-0.8	-0.5
Thailand	5.5	0.0	3.6	0.0	0.0
United Arab Emirates	1.3	0.0	0.5	0.0	0.0
United Kingdom	0.8	0.0	0.0	0.0	0.0
United States	0.2	0.1	0.1	0.0	0.1
Vietnam	0.7	-0.1	0.0	0.0	-0.1
Cash	8.5	0.0	0.0	0.0	0.0
Other ²	0.4	-0.1	0.0	0.0	-0.1
Total	100.0	-1.1	100.0	-0.1	-0.9

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. Attribution data is on a trade date basis and is estimated and unreconciled. ¹A definition of this index can be found on page 6. ²Includes derivative securities and fees. ³Total Effect - The Total Effect for each MSCI/GICS Sector is equal to the sum of the individual Attribution Effects for that MSCI/GICS Sector.

Notes

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: **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. **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. **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. **Sharpe ratio** is calculated by finding the portfolio's excess return and then dividing by the portfolio's standard deviation. **Downside/Upside capture** is a measure of performance in up markets (upside) and down markets (downside) relative to the Index. **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. **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. **Information ratio** is a measure of the value added per unit of active risk by a manager over the index. A positive ratio indicates "efficient" use of risk by the manager. **R-Squared** is a statistical measure that represents the percentage of a fund's movements that can be explained by movements in a benchmark index. **At-the-money** is a term used to describe a situation where an option's strike price is identical to the price of the underlying security. **Out-of-the-money** is a term used to describe an option that has no intrinsic value, such as when a call option has a strike price that is higher than the market price of the underlying asset, or a put option with a strike price that is lower than the market price of the underlying asset. **Moneyness** is a description of a derivative relating its strike price to the price of its underlying asset. It describes the intrinsic value of an option in its current state. **Skew** is the difference in implied volatility between out-of-the-money, at-the-money and in-the-money options. Volatility skew, which is affected by sentiment and the supply/demand relationship, provides information on whether fund managers prefer to write calls or puts. **Delta-adjusted exposure** measures the first order price sensitivity of an option or derivative to changes in the price of an underlying security.