Too Fast and Too Furious?

Possibly a stretch, and by no means an endorsement of the movie, we thought the title was an appropriate description of mergers and acquisition (M&A) activity in the chemicals and agriculture space as we reflect on this past month. Allow us a moment to explain and clarify.

Over the past 18 months, the chemicals and agriculture (ChemAg) industry has seen a significant amount of deal activity. In the agriculture seed space specifically, key players are making renewed efforts to consolidate the industry. On a broader level, the chemicals space has seen pockets of intensified pursuit of M&A (both successful and unsuccessful) across the paint and element segments.

So why all the activity, and why now?

Let us begin with some quick reflection on instances over the past few years where we have witnessed intensified M&A in a specific industry. From health care, semiconductors, cable and broader technology, to food and beverage, when a space gets "hot" with strategic action, it tends to come fast and furious (see, we told you we would tie the title to the letter).

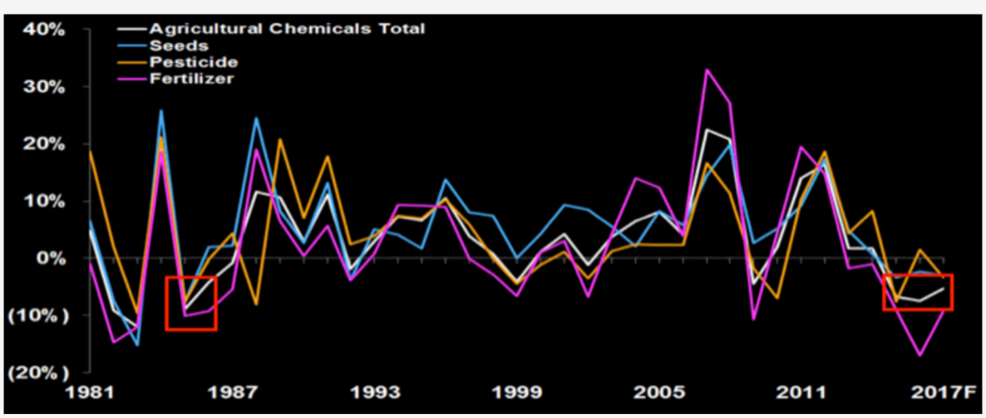
Generally, the activity has been a function of one or more of a handful of factors:

- Changing (and possibly challenging) industry fundamentals
- Benefits from economies of scale
- Opportunities for significant cost synergies
- Perceived favorable regulatory backdrop
- Willing players motivated by fears of being left out

With respect to the agriculture space, one need not look further than the top of the industry, where major deals announced over the last 18 months account for nearly $200 billion of M&A. To get an added sense for the magnitude of all the activity taking place, consider that of the six global producers of seeds or crop chemicals with over $5 billion in annual sales, all but one are currently involved in M&A, or have recently completed a major deal.

As we go through the above checklist, it becomes apparent that the ChemAg space is finding itself in the middle of a flurry of similar activity. Over the last decade crop inputs have declined, recently reaching their lowest level since the 1980s. (Exhibit 1) With increasing yields and underwhelming demand, the supply demand imbalance has weighed on industry fundamentals, incentivizing players to grow their way out of the situation. Industry multiples have compressed in recent years, particularly impacting the leaders and forcing them to take explicit action to remedy the situation.

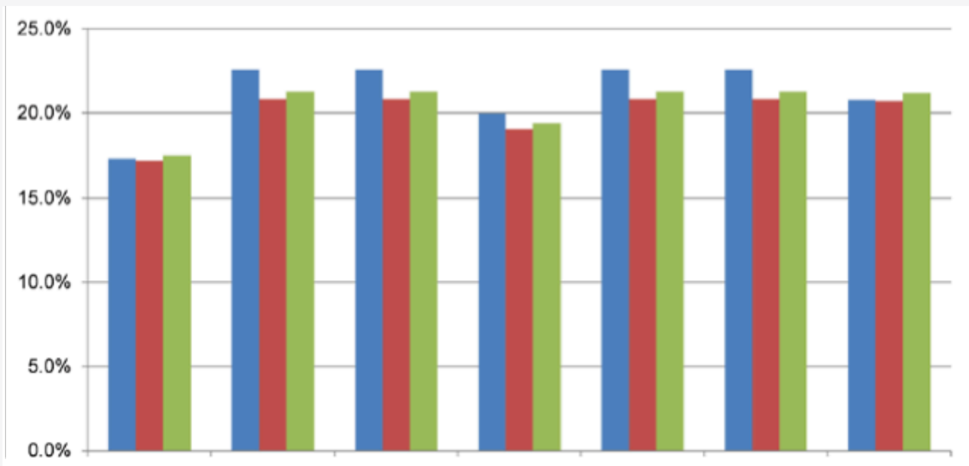
Exhibit 1: Weakest US crop inputs since 1986



Source: Bloomberg Intelligence, USDA

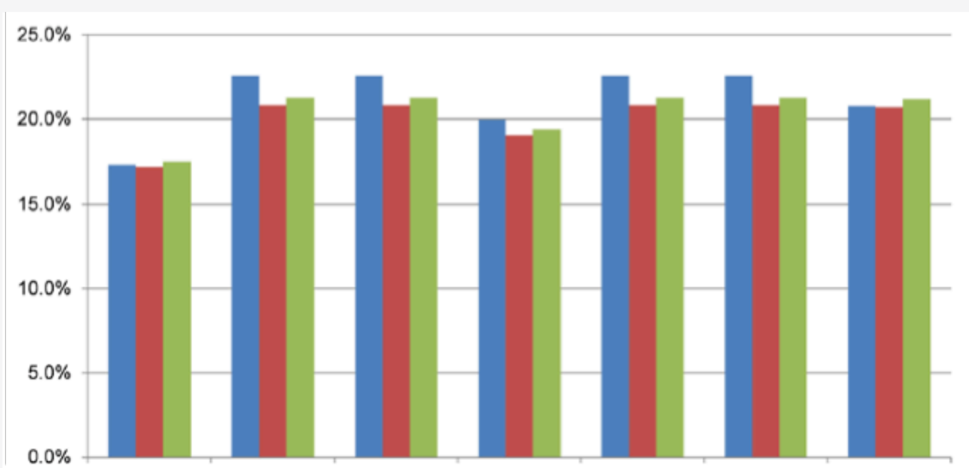
Additionally, as companies push further to become a "one stop shop" for seeds, the benefits of scale have become more pronounced. With approximately 20% of sales attributed to sales and general administrative expenses (SG&A), and approximately 10% to research and development (R&D), the cost efficiencies associated with M&A are substantial. (Exhibits 2, 3) Unsurprisingly, on almost all of the deal slides associated with announced mergers, cost and revenue synergies are featured prominently in the "top reasons" section of strategic rationale. However, it is worth noting the industry has generally not captured these synergies nearly to the extent highlighted, as analysis spanning 20 years suggest that return on invested capital tends to drop by 2% in the three years following chemicals deals.

Exhibit 2: Estimated SG&A expenses as % of sales for key players: 2012-2014 leading up to industry consolidation activity



Source: Morgan Stanley

Exhibit 3: Estimated R&D as % of sales for key players: 2012-2014 leading up to industry consolidation activity



Source: Morgan Stanley

While the fund has tracked and monitored the chemicals and agriculture space activity closely, we have yet to plunge in on the deals as investments. The regulatory environment has been one of the key reasons we have largely stayed on the sidelines. Chemicals and agriculture deals tend to involve multiple geographic regions and jurisdictions, leading to significant extension risk or outright denial. Often times, required divestitures are of high economic importance and impact strategic rationale. Finally, we remain cognizant of industry consolidation that decreases the total number of players from six to three, a threshold that regulators generally dislike, even if deals are occurring in parallel. While interesting as a thought experiment and relative value exercise to past industry consolidation, for now, we remain on the sidelines awaiting a more clear-cut opportunity.

New Trade

This month the fund made an investment in the secured notes of a holding company that operates 18 separate subsidiaries. The holding company employs a "barbell" approach in which cash from the portfolio's stable businesses is used to fund venture capital-like investments. The holding company has benefited from improved operational activity, especially at its structural steel fabrication holding, a business which supports the commercial and industrial construction space for complex builds. Given the operational performance at this and a few additional key holdings, we believe the company will call the 11% secured notes. Further, the company has ample net asset value (NAV) coverage to support the bonds. For our base case, we see 1.6X coverage. Under our stress case, we still see NAV coverage of 1.0X, using conservative assumptions. Lastly, the company has recently spoken to the importance of addressing their capital structure and eliminating high coupon debt. With tight liquidity and collateral covenants in place, we view the long investment as providing an attractive risk reward profile to an upcoming potential call, with minimal volatility to the investment.

Until next month, all the best,

K.C., Michael & Yoav

K.C. Nelson
Portfolio Manager

Michael Caldwell
Assistant Portfolio Manager

Yoav Sharon
Assistant Portfolio Manager

Tom McCauley
Assistant Portfolio Manager

DEVDX Performance Review

For May, the Driehaus Event Driven Fund returned -3.65% and the S&P 500 Index gained 1.41%.[1] The portfolio hedge trade type (+0.45%) was the most significant contributor to returns for the period. The equity catalyst trade type was the biggest detractor (-3.90%).

The largest contributor for the month was a gaming REIT (+28bps), followed by a logistics and transportation company that beat earnings expectations (+23bps). The third top contributor for the month was a portfolio hedge in the biotech space (+22bps).

The top three detractors for the month included a biotech company with upcoming data later in the year (-134 bps), a movie theater operator integrating recent acquisitions (-115bps), and technology company with an upcoming ruling on its patent portfolio (-11bps).

PERFORMANCE

MONTH-END – 5/31/17

	MTD	YTD	1 Year	3 Year	Since Inception[2]
Driehaus Event Driven Fund	-3.65%	-0.48%	7.15%	-1.06%	2.08%
S&P 500 Index[3]	1.41%	8.66%	17.47%	10.14%	12.72%
Citigroup 3-Month T-Bill Index[4]	0.06%	0.23%	0.40%	0.18%	0.15%

CALENDAR QUARTER-END –3/31/17

	QTR	YTD	1 Year	3 Year	Since Inception[2]
Driehaus Event Driven Fund	1.06%	1.06%	10.75%	-1.15%	2.62%
S&P 500 Index[3]	6.07%	6.07%	17.17%	10.37%	12.59%
Citigroup 3-Month T-Bill Index[4]	0.12%	0.12%	0.34%	0.15%	0.13%

ANNUAL FUND OPERATING EXPENSES[5]

Management Fee 1.00%
Other Expenses Excluding Dividends & Interest on Short Sales 0.44%
Dividends and Interest on Short Sales 0.59%
Total Annual Fund Operating Expenses 2.03%

[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 (877) 779-0079 or visit www.driehaus.com for more current performance information.**

[2]The Driehaus Event Driven Fund has an inception date of August 26, 2013. [3]The Standard & Poor's ("S&P") 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group. It is a market-weighted index (stock price times number of shares outstanding), with each stock's weight in the index proportionate to its market value. [4]The Citigroup 3-Month T-Bill Index is designed to mirror the performance of the 3-Month U.S. Treasury Bill. The Citigroup 3-Month T-Bill Index is unmanaged and its returns include reinvested dividends. [5]Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated April 30, 2017. 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.

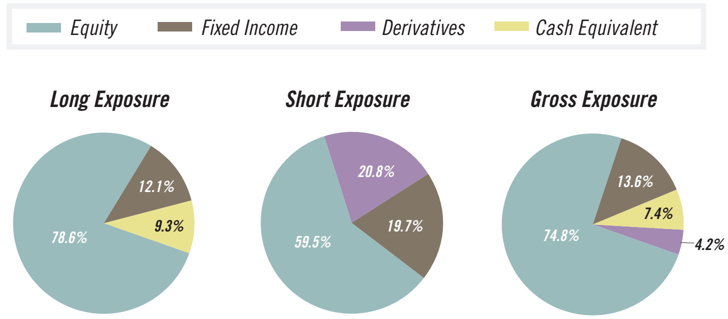
Investments in overseas markets can pose more risks than U.S. investments, and share prices are expected to be more volatile than that of a U.S.-only fund. The Driehaus Event Driven Fund invests in foreign securities, including small and mid cap stocks, which may be subject to greater volatility than other investments. In addition, returns of this 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 this Fund invests. These risks are generally greater when investing in emerging markets. These and other risk considerations are discussed in the prospectus for this 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. Stocks of medium-sized companies tend to be more volatile in price than those of larger companies and may have underperformed the stocks of small and large companies during some periods. In addition, investments in medium-sized companies may be more susceptible to particular economic events or competitive factors than are larger, more broadly diversified companies. Growth stocks may involve special risks and their prices may be more volatile than the overall market. The Fund, in addition to investing in unrated and investment grade bonds, may also invest in junk bonds, which involve greater credit risk, including the risk of default. The prices of high yield bonds are more sensitive to changing economic conditions and can fall dramatically in response to negative news about the issuer or its industry, or the economy in general. The use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is a risk that changes in the value of a derivative held by the Fund will not correlate with the Fund's other investments. Further, the Fund may invest in derivatives for speculative purposes. Gains or losses from speculative positions in a derivative may be much greater than the derivative's original cost and potential losses may be substantial. The Fund may make short sales. Short sales expose the Fund to the risk of loss. No investment strategy, including an absolute return strategy, can ensure a profit or protect against loss. Additionally, investing in an absolute return strategy may lead to underperforming results during an upward moving market. When interest rates increase, bond prices decrease and bond funds become more volatile. 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. This is a nondiversified fund 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.

DEVDX Portfolio Characteristics*

Executive Summary

		excluding cash
Assets Under Management (AUM)	$164,898,617	
Long Exposure	$163,735,747	$148,550,627
Short Exposure	$(40,912,266)	$(40,912,266)
Net Exposure	$122,823,481	$107,638,361
Net Exposure/AUM	74.48%	65.28%
Gross Exposure	$204,648,014	$189,462,893
Gross Exposure/AUM	1.24x	1.15x

Exposure Breakdown by Asset Class



Trade Type

	Gross Exposure	% of Gross Exposure	% Contribution to Total Return
Bond catalyst-driven	19,871,220	9.7%	0.07%
Equity catalyst-driven	110,395,286	53.9%	-3.90%
Portfolio hedges	30,731,160	15.0%	0.45%
Risk arbitrage	28,465,227	13.9%	-0.21%
Deep value	0	0.0%	0.00%
Cash**	15,185,120	7.4%	0.00%
Expenses***			-0.13%
Total	**204,648,014**	**100.0%**	**-3.72%**

Preliminary data. May differ from data shown by third-party providers because of rounding or for other reasons.

Portfolio Summary

Portfolio Volatility (100 day, based on historical daily returns)	7.71%
S&P 500 Index Volatility (100 day, based on historical daily returns)	7.11%
Beta vs. S&P 500 Index[1] (since inception)	0.44
Beta vs. Bloomberg Barclays Agg[2] (since inception)	0.81
Beta vs. Merrill Lynch High Yield Index[3] (since inception)	(0.48)
DEVDX and S&P 500 Index Correlation (since inception)	0.70
DEVDX and Bloomberg Barclays Agg Correlation (since inception)	0.41
DEVDX and Merrill Lynch High Yield Index Correlation (since inception)	(0.20)

Characteristics

FIXED INCOME	
Effective Duration/100 bps	0.32%
Effective Spread Duration/100 bps	-0.81%
Long Exposure Mark-to-market Value/Par Value (ex IR hedge)	96.66%
Short Exposure Mark-to-market Value/Par Value (ex IR hedge)	0.00%
EQUITY	
Weighted Average Market Capitalization (USD in billion)	$5.98
Weighted Harmonic Average P/E using FY1 Estimation	$18.7

Source: Bloomberg
*Exposure: please note exposure may be different than market value. For equities, bonds, foreign exchange forwards and interest rate swap products, exposure is the same as market value.
**This figure represents the fund's operating cash plus receivables for investments sold and minus payables for investments purchased, and includes USD and FX cash.
***Estimated expenses for the month (not annualized) as a percentage of the fund's net assets for the month.
For options, exposure represents delta-adjusted underlying exposure. For credit default swap and credit default swap indices, exposure represents bond-equivalent exposure.
[1] The Standard & Poor's ("S&P") 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group. It is a market-weighted index (stock price times number of shares outstanding), with each stock's weight in the index proportionate to its market value. [2] The Bloomberg Barclays Capital US Aggregate Bond Index, an unmanaged index, represents securities that are SEC-registered, taxable and dollar denominated. This index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. [3] The BofA Merrill Lynch US High Yield Index is an unmanaged index that tracks the performance of below-investment-grade, US-dollar-denominated corporate bonds publicly issued in the US domestic market.
Note: *A definition of key terms can be found on page 9*

Product Type

	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Bank Loan	0	0.0%	0	0.0%	0	0.0%
Convertible Bond	2,606,227	1.6%	0	0.0%	2,606,227	1.3%
Convertible Preferred	0	0.0%	0	0.0%	0	0.0%
Corporate	17,264,994	10.5%	0	0.0%	17,264,994	8.4%
Preferred	0	0.0%	0	0.0%	0	0.0%
Sovereign	0	0.0%	(8,052,248)	19.7%	8,052,248	3.9%
Fixed Income	**19,871,220**	**12.1%**	**(8,052,248)**	**19.7%**	**27,923,468**	**13.6%**
ADR/GDR	0	0.0%	0	0.0%	0	0.0%
Equity Common	128,679,407	78.6%	(4,361,922)	10.7%	133,041,329	65.0%
Exchange Traded Fund	0	0.0%	(19,997,319)	48.9%	19,997,319	9.8%
Equity	**128,679,407**	**78.6%**	**(24,359,241)**	**59.5%**	**153,038,648**	**74.8%**
Credit Default Swap	0	0.0%	0	0.0%	0	0.0%
Currency Forward	0	0.0%	(360,664)	0.9%	360,664	0.2%
Index Future	0	0.0%	0	0.0%	0	0.0%
Index Options	0	0.0%	0	0.0%	0	0.0%
Interest Rate Future	0	0.0%	0	0.0%	0	0.0%
Residential Mortgage Backed	0	0.0%	0	0.0%	0	0.0%
Securitized / Covered	0	0.0%	0	0.0%	0	0.0%
Swaptions	0	0.0%	0	0.0%	0	0.0%
Total Return Swap	0	0.0%	(8,140,113)	19.9%	8,140,113	4.0%
Derivatives	**0**	**0.0%**	**(8,500,777)**	**20.8%**	**8,500,777**	**4.2%**
Cash	**15,185,120**	**9.3%**	**0**	**0.0%**	**15,185,120**	**7.4%**
Total	**163,735,747**	**100.0%**	**(40,912,266)**	**100.0%**	**204,648,014**	**100.0%**

Exposure by Country of Risk

Country Of Risk	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Developed	28,430,804	17.4%	0	0.0%	28,430,804	13.9%
United States	135,304,943	82.6%	(40,551,602)	99.1%	175,856,545	85.9%
Emerging	0	0.0%	(360,664)	0.9%	360,664	0.2%
Total	**163,735,747**	**100.0%**	**(40,912,266)**	**100.0%**	**204,648,014**	**100.0%**

Source: Bloomberg

Note: *A definition of key terms can be found on page 9*

Sector

GICS[1]	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Consumer Discretionary	24,426,010	14.9%	(4,361,922)	10.7%	28,787,932	14.1%
Consumer Staples	739,970	0.5%	0	0.0%	739,970	0.4%
Energy	0	0.0%	0	0.0%	0	0.0%
Financials	46,681,841	28.5%	0	0.0%	46,681,841	22.8%
Health Care	23,203,939	14.2%	0	0.0%	23,203,939	11.3%
Industrials	17,750,432	10.8%	0	0.0%	17,750,432	8.7%
Information Technology	14,816,312	9.0%	0	0.0%	14,816,312	7.2%
Materials	0	0.0%	0	0.0%	0	0.0%
Real Estate	0	0.0%	0	0.0%	0	0.0%
Telecommunication Services	16,272,523	9.9%	0	0.0%	16,272,523	8.0%
Utilities	4,659,600	2.8%	0	0.0%	4,659,600	2.3%
Other[2]	15,185,120	9.3%	(36,550,344)	89.3%	51,735,464	25.3%
Total	**163,735,747**	**100.0%**	**(40,912,266)**	**100.0%**	**204,648,014**	**100.0%**

Contributors (by Trade Type)

TOP 5	
Equity Catalyst Driven	0.3%
Equity Catalyst Driven	0.2%
Portfolio Hedge	0.2%
Equity Catalyst Driven	0.2%
Equity Catalyst Driven	0.2%
Total	**1.1%**

BOTTOM 5	
Equity Catalyst Driven	-1.4%
Equity Catalyst Driven	-1.2%
Equity Catalyst Driven	-0.5%
Equity Catalyst Driven	-0.4%
Equity Catalyst Driven	-0.3%
Total	**-3.7%**

Source: Bloomberg, Moody's, Standard & Poor's

[1] The Global Industry Classification Standard (GICS), a collaboration between Standard & Poor's and Morgan Stanley Capital International, is a system of classification that identifies a company according to its business activity.

[2] The Other Industry Sector data is not categorized within the GICS classification system

Notes

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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 (877) 779-0079. Please read the prospectus and summary prospectus carefully before investing.

This snapshot is not intended to provide investment advice. Nothing herein should be construed as a solicitation or a recommendation to buy or sell securities or other investments. You should assess your own investment needs based on your individual financial circumstances and investment objectives. Driehaus does not guarantee the accuracy or completeness of this information. This data was prepared on June 9, 2017 and has not been updated since then. It may not reflect recent market activity. Driehaus assumes no obligation to update or supplement this information to reflect subsequent changes. This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The information and opinions contained in this material are derived from proprietary and non-proprietary sources deemed by Driehaus to be reliable, are not necessarily all inclusive and are not guaranteed as to accuracy. 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.

Driehaus Securities LLC, Distributor

FUND INFORMATION

Types of events in which the fund frequently invests include:

Earnings: A trade involving an upside or downside surprise to earnings versus market expectations.

Product cycle: A key change to the company's product/service offering, or a change in customer preferences for the company's product/service.

Restructuring: A change to the company's capital structure or business prospects as a result of bankruptcy, reorganization or corporate distress.

Corporate action: Changes to the company's strategy or capital structure as a result of mergers, acquisitions, spin-offs, lawsuits, etc.

Market dislocation: Any mispricing of a security for a non-fundamental reason.

Portfolio hedges: A hedge to an unwanted factor exposure, such as equity, volatility, credit or interest rate risk.

Types of trades in which the fund frequently invests include:

Equity catalyst-driven: Event-driven trades that are expressed predominately through equity positions.

Bond catalyst-driven: Event-driven trades that are expressed predominately through bond positions.

Risk arbitrage: Trades that attempt to capture a valuation discrepancy between similar securities.

Deep value: Trade that attempts to capture the mispricing of an extremely undervalued security.

Portfolio hedges: A hedge to an unwanted factor exposure, such as equity, volatility, credit or interest rate risk.

DEFINITIONS OF KEY TERMS

Agency Mortgage-Backed Security - A mortgage-backed security issued and guaranteed by a government agency such as the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or Government National Mortgage Association.

Asset-Backed Security (ABS) - A security whose value and income payments are derived from and collateralized (or "backed") by a specified pool of underlying assets.

Average % of Par-Longs - The average dollar price of a bond the Fund is long as a percentage of par.

Average % of Par-Shorts - The average dollar price of a bond the Fund is short as a percentage of par.

Beta - A measure describing the relation of a portfolio's returns with that of the financial market as a whole. A portfolio with a beta of 0 means that its price is not at all correlated with the market. A positive beta means that the portfolio generally follows the market. A negative beta shows that the portfolio inversely follows the market; the portfolio generally decreases in value if the market goes up and vice versa.

Credit Default Swap (CDS) - A contract in which the buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if a credit instrument (typically a bond or loan) goes into default. In its simplest form, a credit default swap is a bilateral contract between the buyer and seller of protection.

Delta - The ratio that compares the change in the price of a derivative to the corresponding change in the price of an underlying asset.

Derivatives Premium – Value of a derivatives contract.

Effective Duration - A duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

Equity Gamma - The ratio that compares the rate of change for the delta with respect to the underlying asset's price.

Effective Spread Duration - The sensitivity of the price of a bond to a 100 basis point change to its option-adjusted spread. As the rate of the Treasury security in the option-adjusted spread increases, the rate of the option-adjusted spread also increases.

Mortgage-Backed Security (MBS) - An asset-backed security or debt obligation that represents a claim on the cash flows from mortgage loans, most commonly on residential property.

Portfolio Coupon - The annualized interest earned for the portfolio.

Portfolio Current Yield - The annual income (interest or dividends) divided by the current price of the security, aggregated to the portfolio level.

Portfolio Yield-to-Worst - The lowest potential yield that can be received on a bond without the issuer actually defaulting, aggregated to the portfolio level. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer.

Sharpe Ratio is calculated by finding the portfolio's excess return and then dividing by the portfolio's standard deviation.

Stock Vega - The change in the price of an option that results from a 1% change in volatility. Vega changes when there are large price movements in the underlying asset and Vega falls as the option gets closer to maturity. Vega can change even if there is no change in the price of the underlying asset (e.g., if there is a change in expected volatility).

Swap - A derivative in which two counterparties exchange certain benefits of one party's financial instrument for those of the other party's financial instrument.

Theta - A measure of the rate of decline in the value of an option due to the passage of time. Theta can also be referred to as the time decay on the value of an option.