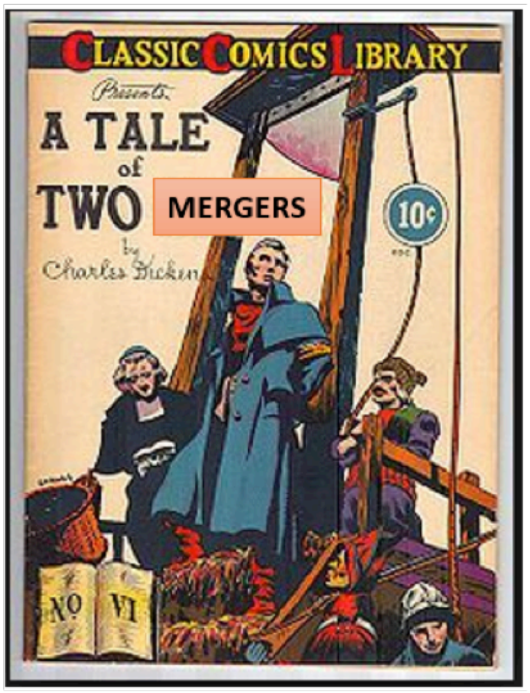
A Tale of Two… Mergers



Source: John P. Johnson/HBO

While announced deal activity in October was subdued, there was no shortage of news for two high profile deals facing activist pressure. We thought it would be helpful to recap the two situations and provide insight into what led the fund to get involved in one, and to stay on the sidelines of the other.

Often times deals or corporate actions hit our radar screens at announcement, and after an initial review, the fund will take a pass. Every so often an opportunity arises where, while not intrigued enough to get involved immediately, we flag the situation for investment in case a key sticking point gets resolved, further tilting the risk reward dynamics in our favor. Anything ranging from key regulatory hurdles, deal incentives, gross spread amount, or amended divestiture packages can be the gating item to get the fund to invest. As shareholder activism has continued to be a growing factor in deal dynamics, often times the emergence of vocal opponents can be a game changing catalyst.

In the case of the two specific deals in focus, shareholder activism was front and center with respect to impacting deal consummation. While one was a merger of equals (MOE) and the other a traditional takeover, both exhibited similar characteristics, including:

» Substantial investor surprise at deal announcement, given previous management commentary

» Significant price reaction in the days following the merger

» Skepticism regarding the nature and magnitude of projected synergies

» Vocal opposition to the deal centered around standalone opportunities to unlock value

Equally important, the deals had plenty of differences:

» Deal structure: takeover vs. MOE, termination fee vs. no term fee

» Incentive structure of management teams

» Shareholder vote threshold for approval

» Shareholder list and concentration of top holders

The last two points on the above list were critical differentiators for the ultimate outcome of each deal, in our estimation. The merger of equals faced an uphill battle for approval, as an activist investor quickly amassed a 10% stake, and kept growing it further. In the months following their announced opposition to the deal, the activist continued to build their stake, reaching nearly 20% at their last filing, and indicating that they would be willing to surpass that level. Ultimately, the sizeable "blocking" position established by the activist all but assured that the shareholder vote threshold would not be attained, and the two MOE parties mutually agreed to terminate the deal.

Similarly, the takeover deal that faced investor opposition, saw initial pushback on deal rationale. However, activist investors "only" amassed an approximate 6% position. While not insignificant, the exposure would not be meaningful enough to achieve a blocking position. Additionally, separate activists were outspoken on other issues or regarding the acquirer, focusing on the pro forma entity, and seeking concessions regarding the long term direction of the company. While not directly opposed to each other, the activists did not form a united front, thereby splintering the opposition campaign. Further, the second largest activist had a stake in the acquired company (which was taken out at a 28% premium), thus standing to lose significant gains in a deal break, incentivizing deal support. All through the deal process the acquiring company was working diligently to appease investor concerns on the future of the combined entity. Their willingness to hear out and address investor concerns would lay the groundwork for them to garner support from the key shareholder service firms, who, after a pair of recent voter recommendation losses, were highly motivated to win shareholder backing of an endorsement.

The combination of a lower shareholder vote threshold, key players incentivized to push a deal through, an accommodative management team, and outsiders aligned to support the deal were all key aspects that led the takeover to be realized. After widening out to 4.5% gross spread in the weeks before the shareholder vote, the deal ultimately won support by a wide margin, and shareholders blessed the transaction. Interestingly, the MOE which was abandoned due to the activist blocking position saw both parties' stock appreciate to new highs within days of the break up.

New Trade

This month's trade is one of the risk arbitrage situations highlighted in our letter. While we addressed the points that provided the fund reason for investing in the fluid deal spread, we wanted to provide additional details about the key attributes that helped get the team over the finish line.

The deal was announced in mid-June, and saw the acquirer's equity sell off aproximately 16% on the announcement over concerns about the premium paid, the rationale of the deal and the validity of the synergies referenced. Within a week of the adverse reaction, the stock regained the pre-announcement levels and made new highs. Subsequently, an activist, with an approximately 6% stake, filed a 13D against the merger rationale and management's claims. Following the original pushback, management responded and addressed a few of the misgivings that the activist raised, namely:

- Compensation incentives centering around production growth
- Agreeing to review the separation of the two businesses lines in a more expedited timeframe
- Creating an independent board committee to review all strategic options for the company

After the company addressed these issues, and the spread tightened materially as time went by, we continued to monitor the deal spread for an opportunity. We viewed the likelihood of receiving positive recommendations from the shareholder service groups as highly probable, placing deal closure at 85%. Combined with additional activist shareholders already focused on the pro forma entity, we viewed the opposition group to have insufficient support to block the deal. Lastly, the voter hurdle rate of "majority of votes cast", when considered with the outstanding position of the blocking group, was supportive of a sizeable margin of safety for shareholder approval (the remaining item needed for deal approval). In the weeks ahead of the necessary votes, the spread saw increased volatility, which can often be the case, and the fund initiated a position when the gross spread appropriately compensated bearing the risk.

Until next month, all the best,

K.C., Michael, Yoav & Tom

K.C. Nelson
Portfolio Manager

Michael Caldwell
Assistant Portfolio Manager

Yoav Sharon
Assistant Portfolio Manager

Tom McCauley
Assistant Portfolio Manager

DEVDX Performance Review

For October, the Driehaus Event Driven Fund returned -0.75% and the S&P 500 Index returned 2.33%.[1] The portfolio hedge was the biggest contributor (0.37%) while the equity with catalyst trade type was the fund's biggest detractor (-0.76%).

The largest contributors for the month included a portfolio hedge to the fund's biotech exposure (+37bps), a clinical stage biotech company with multiple data readouts upcoming (+18bps), and a recent chemicals IPO that continued to experience commodity tailwinds (+15bps). The top three detractors for the month included an oncology focused company currently in clinical trial (-39bps), an Intellectual Property (IP) technology company awaiting a litigation ruling (-29 bps), and a diagnostics company continuing to roll out adoption of a key test (-29bps).

PERFORMANCE

MONTH-END – 10/31/17

	MTH	YTD	1 Year	3 Year	Since Inception[2]
Driehaus Event Driven Fund	-0.75%	2.42%	4.16%	0.96%	2.58%
S&P 500 Index[3]	2.33%	16.91%	23.63%	10.77%	13.34%
FTSE 3-Month T-Bill Index[4]	0.09%	0.65%	0.71%	0.32%	0.24%

CALENDAR QUARTER-END – 9/30/17

	QTR	YTD	1 Year	3 Year	Since Inception[2]
Driehaus Event Driven Fund	-1.39%	3.19%	5.56%	1.60%	2.82%
S&P 500 Index[3]	4.48%	14.24%	18.61%	10.81%	13.00%
FTSE 3-Month T-Bill Index[4]	0.26%	0.56%	0.64%	0.29%	0.22%

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 FTSE 3-Month T-Bill Index is designed to mirror the performance of the 3-Month U.S. Treasury Bill. The FTSE 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.

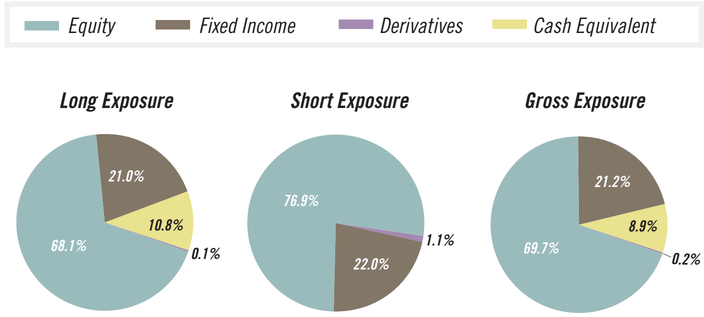
Investments in overseas markets can pose more risks than U.S. investments, and share prices are expected to be more volatile than that of a U.S.-only fund. The Driehaus Event Driven Fund invests in foreign securities, including small and mid cap stocks, which may be subject to greater volatility than 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)	$161,101,204	
Long Exposure	$160,334,588	$142,950,901
Short Exposure	$(34,686,974)	$(34,686,974)
Net Exposure	$125,647,614	$108,263,927
Net Exposure/AUM	77.99%	67.20%
Gross Exposure	$194,853,171	$177,637,875
Gross Exposure/AUM	1.21x	1.10x

Exposure Breakdown by Asset Class



Trade Type

	Gross Exposure	% of Gross Exposure	% Contribution to Total Return
Bond catalyst-driven	41,230,668	21.2%	0.14%
Equity catalyst-driven	105,174,772	54.0%	-0.76%
Portfolio hedges	13,478,624	6.9%	0.37%
Risk arbitrage	17,585,420	9.0%	-0.39%
Deep value	0	0.0%	0.00%
Cash**	17,383,687	8.9%	0.00%
Expenses***			-0.13%
Total	**194,853,171**	**100.0%**	**-0.77%**

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)	6.12%
S&P 500 Index Volatility (100 day, based on historical daily returns)	6.78%
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)	(0.50)
DEVDX and S&P 500 Index Correlation (since inception)	0.69
DEVDX and Bloomberg Barclays Agg Correlation (since inception)	0.40
DEVDX and Merrill Lynch High Yield Index Correlation (since inception)	(0.20)

Characteristics

FIXED INCOME	
Effective Duration/100 bps	0.13 Years
Effective Spread Duration/100 bps	0.12 Years
Long Exposure Mark-to-market Value/Par Value (ex IR hedge)	94.70%
Short Exposure Mark-to-market Value/Par Value (ex IR hedge)	95.34%
EQUITY	
Weighted Average Market Capitalization (USD in billion)	$(0.6)
Weighted Harmonic Average P/E using FY1 Estimation	$17.5

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 8*

Product Type

	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Bank Loan	8,596,967	5.4%	0	0.0%	8,596,967	4.4%
Convertible Bond	0	0.0%	0	0.0%	0	0.0%
Convertible Preferred	0	0.0%	0	0.0%	0	0.0%
Corporate	25,020,569	15.6%	(7,644,359)	22.0%	32,664,929	16.8%
Preferred	0	0.0%	0	0.0%	0	0.0%
Sovereign	0	0.0%	0	0.0%	0	0.0%
Fixed Income	**33,617,536**	**21.0%**	**(7,644,359)**	**22.0%**	**41,261,896**	**21.2%**
ADR/GDR	0	0.0%	0	0.0%	0	0.0%
Equity Common	109,185,377	68.1%	(9,224,835)	26.6%	118,410,211	60.8%
Exchange Traded Fund	0	0.0%	(17,451,184)	50.3%	17,451,184	9.0%
Equity	**109,185,377**	**68.1%**	**(26,676,019)**	**76.9%**	**135,861,396**	**69.7%**
Credit Default Swap	0	0.0%	0	0.0%	0	0.0%
Currency Forward	147,988	0.1%	(366,596)	1.1%	346,193	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%	0	0.0%	0	0.0%
Derivatives	**147,988**	**0.1%**	**(366,596)**	**1.1%**	**346,193**	**0.2%**
Cash	**17,383,687**	**10.8%**	**0**	**0.0%**	**17,383,687**	**8.9%**
Total	**160,334,588**	**100.0%**	**(34,686,974)**	**100.0%**	**194,853,171**	**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	18,699,425	11.7%	(366,596)	1.1%	18,897,630	9.7%
United States	141,635,163	88.3%	(34,320,378)	98.9%	175,955,541	90.3%
Emerging	0	0.0%	0	0.0%	0	0.0%
Total	**160,334,588**	**100.0%**	**(34,686,974)**	**100.0%**	**194,853,171**	**100.0%**

Source: Bloomberg

Note: *A definition of key terms can be found on page 8*

Sector

GICS[1]	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Consumer Discretionary	38,699,633	24.1%	(3,201,886)	9.2%	41,901,519	21.5%
Consumer Staples	0	0.0%	0	0.0%	0	0.0%
Energy	5,460,664	3.4%	(4,457,101)	12.8%	9,917,764	5.1%
Financials	26,880,759	16.8%	0	0.0%	26,880,759	13.8%
Health Care	21,042,725	13.1%	0	0.0%	21,042,725	10.8%
Industrials	21,581,126	13.5%	(1,269,085)	3.7%	22,850,211	11.7%
Information Technology	12,761,093	8.0%	(3,173,388)	9.1%	15,934,481	8.2%
Materials	9,819,070	6.1%	0	0.0%	9,819,070	5.0%
Real Estate	0	0.0%	0	0.0%	0	0.0%
Telecommunication Services	0	0.0%	(4,767,734)	13.7%	4,767,734	2.4%
Utilities	0	0.0%	0	0.0%	0	0.0%
Other[2]	24,089,519	15.0%	(17,817,780)	51.4%	41,738,909	21.4%
Total	**160,334,588**	**100.0%**	**(34,686,974)**	**100.0%**	**194,853,171**	**100.0%**

Contributors (by Trade Type)

TOP 5	
Portfolio Hedge	0.2%
Equity Catalyst Driven	0.2%
Portfolio Hedge	0.2%
Equity Catalyst Driven	0.2%
Risk Arbitrage	0.1%
Total	**0.8%**

BOTTOM 5	
Equity Catalyst Driven	-0.4%
Equity Catalyst Driven	-0.3%
Equity Catalyst Driven	-0.3%
Equity Catalyst Driven	-0.3%
Risk Arbitrage	-0.3%
Total	**-1.5%**

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

*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.

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 November 13, 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.