Frontier Markets Country Snapshot: Vietnam

KEY FEATURES

» Active, growth approach to an attractive inefficient investment universe

» Benchmark-aware not benchmark-constrained investment approach–high active share

» Bias toward domestically driven growth companies

» Holistic investment process that incorporates macro and bottom-up analysis

» Focus on risk management

» Portfolio management team with several years of investment experience in frontier markets

INCEPTION DATE
May 4, 2015

FUND ASSETS UNDER MANAGEMENT
$19.1 million

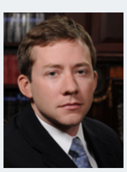
FIRM ASSETS UNDER MANAGEMENT
$8.2 billion

INVESTMENT UNIVERSE
Frontier markets all cap equity

INVESTMENT STYLE
Growth equity

PORTFOLIO MANAGERS

Chad Cleaver, CFA
Portfolio Manager
14 years experience



Richard Thies
Assistant Portfolio Manager
9 years of investment experience

@DriehausCapital

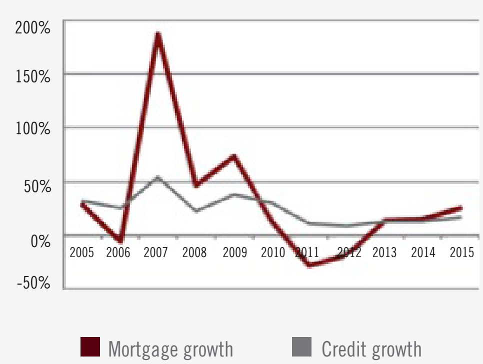
The post-global financial crisis (GFC) world has largely experienced a scarcity of economic growth as the dual forces of developed market deleveraging and slowing urbanization in China have led to lackluster aggregate demand. Moreover, the world front-loaded too much capacity between the Asian crisis of the late 1990s and the GFC, creating excess aggregate supply. These forces have exerted meaningful pressure on a number of emerging and frontier economies in recent years that were overly reliant on commodities, exports and fixed investment.

Despite the rather gloomy backdrop, there are a handful of select countries that can thrive in this environment. Vietnam is one of the few economies that we expect will generate outsized growth while simultaneously taking global export market share. An underpenetrated consumer base, pent-up demand for infrastructure investment, and a tailwind from foreign direct investment are three factors that make us optimistic about the country. Consequently, Vietnam is one of the largest country overweights in the Driehaus Frontier Emerging Markets Fund.

Along with many other parts of the world, Vietnam experienced a property bubble in 2007 with mortgage credit growing by approximately 180% (Exhibit 1). Condo prices doubled or tripled in the 12 to 18 months following Vietnam's 2006 entry into the World Trade Organization (WTO) with the help of this credit boom, which stoked speculative demand for property.

The subsequent accumulation of bad debts in the Vietnamese banking system created an overhang, limiting Vietnam's ability to benefit from quantitative easing policies undertaken throughout the world in recent years. As much of the rest of the world began to heal, Vietnam ran massive trade deficits of more than 10% of GDP and devalued its currency by over 30% between 2008 and 2011.

Exhibit 1: Vietnam's mortgage and credit growth



Source: CIMB, SBV

The silver lining from the standpoint of today's investor in Vietnam is that speculative inflows never reached a fevered pitch like they did in other regional economies. Further, following the implementation of a bad bank scheme—the Vietnam Asset Management Company (VAMC)—nonperforming loans (NPLs) are in the process of being removed from bank balance sheets. Lastly, free-trade agreements, favorable demographics, and competitive wage costs have resulted in an influx of foreign direct investment. When combined with the pent-up demand created over the past several years, we see Vietnam at a cyclical turning point, leaving it poised to be one of the fastest growing economies in frontier markets in 2016 (Exhibit 2).

Consumer demand remains at a nascent stage in Vietnam. However, accelerating credit growth, falling inflation, and expanding incomes (per capita income has more than doubled in the past seven years) is a powerful combination (Exhibit 3). Among the fund's top holdings is a Vietnamese dairy company, which has consistently grown its volumes in the low double digits in recent years. The company continues to have attractive structural growth prospects due to the low levels of per capita consumption of milk within the country.

EXHIBIT 2: Vietnam Stock Index may be positioned for gains after six years of going sideways

Source: Bloomberg

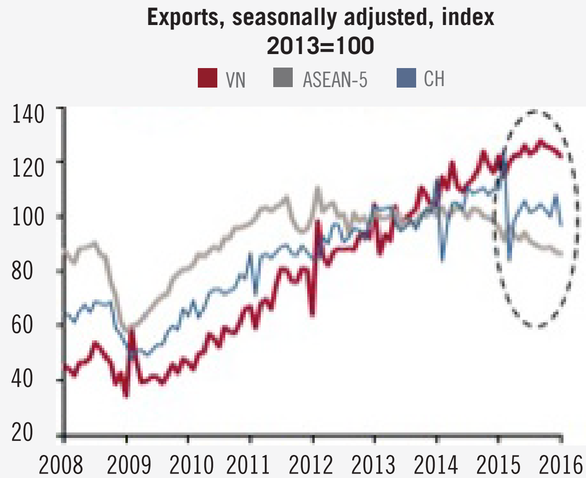
EXHIBIT 3: Vietnam consumer price index, year-over-year change

Source: Bloomberg

In addition to the landmark Trans-Pacific Partnership, Vietnam signed free-trade agreements with Russia and Korea last year (Exhibit 4). Vietnam should benefit in several ways from the relocation of manufacturing capacity to the country. First, we expect consumer-related industries to thrive as employment prospects improve. Additionally, this may lead to increased investment in areas like property, shopping malls and supermarkets. Within the portfolio, we maintain several positions related to infrastructure in addition to our tilt toward the consumer sectors.

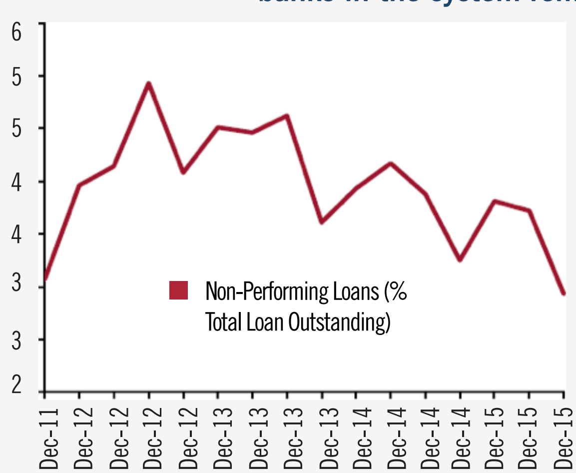
While we expect robust system-wide credit growth in the mid-teens, we believe that the growth will not be felt uniformly by all banks. Consequently, we maintain only one position in the banking sector in the portfolio. While VAMC has succeeded in lifting the NPL burden from a number of banks, there are some that are still plagued by legacy bad loans. Additionally, the system-wide loan-to-deposit ratio is running in the low 90s, suggesting that some banks may be constrained in their ability to extend credit into the economy (Exhibit 5).

EXHIBIT 4: Export strength to be a key driver going forward

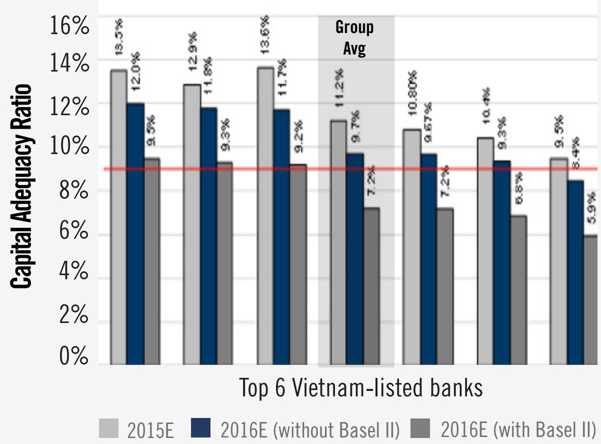


Source: Credit Suisse, Bloomberg

EXHIBIT 5: Vietnam NPL ratios declining (left) but some banks in the system remain capital constrained (right)



Source: Credit Suisse, CEIC



Source: Credit Suisse, company data

Basel II is the second Basel Accords that provide recommendations for capital adequacy of internationally active banks. Capital adequacy is a measure of a bank's capital.

Though there are numerous reasons to be optimistic about Vietnam, no investment is without risk. As with many of the countries we favor in the portfolio, Vietnam has been a beneficiary of rapidly receding inflation. Should rising health care and education costs, or a pickup in energy or agricultural commodity prices result in a meaningful rise in the rate of inflation, this may weaken the prospects for property, infrastructure and consumption.

Additionally, Vietnam has a rather low level of foreign currency reserves at around $30 billion, representing approximately two to three months of import cover. Preserving the ability to adequately fund investment projects will be critical if Vietnam hopes to realize its growth potential.

Lastly, a longstanding concern on the part of investors has been Vietnam's rigid foreign ownership limits (FOL). Presently, foreigners are restricted from owning more than 49% of any Vietnamese company. Once a stock reaches FOL, an investor must either wait for foreign room to open up or pay a premium to the current market price. At one point, the aforementioned dairy company traded at upwards of an 18% premium. The good news is that the rigidity of FOLs looks set to change. However, such changes will not apply uniformly across all equities. As with other economies that have opened their capital markets to foreigners, the process often moves slowly with many twists and turns along the way.

Vietnam has several unique attributes that are attractive to frontier market investors. In many ways it embodies the characteristics of why we are optimistic on the asset class more broadly—a large, young population, underpenetrated consumer base, and ability to enhance the productivity of the economy. After a lengthy recovery period following the burst of the 2007 property bubble, we believe Vietnam has reached the point at which growth of the economy is set to accelerate. There should be numerous beneficiaries of this growth within the equity market, a view that we have expressed through a substantial overweight within the portfolio.

Until next month,

Chad Cleaver
Portfolio Manager

Rich Thies
Assistant Portfolio Manager

% MONTH-END ANNUAL TOTAL RETURN (as of 2/29/16)

	MTH	YTD	Inception[1]
Driehaus Frontier Emerging Markets Fund	**0.12**	**-3.18**	**-14.80**
MSCI Frontier Markets Index[2]	3.50	-3.58	-17.83

ANNUAL FUND OPERATING EXPENSES[4]

Management fee:	1.50%
Other expenses:	0.77%
Total annual fund operating expenses:	2.27%
Expense Reimbursement:	(0.27%)
Total Annual Fund Operating Expenses After Expense Reimbursement:	**2.00%**

% QUARTER-END AVERAGE ANNUAL TOTAL RETURN (as of 12/31/15)

	QTR	Inception[1]
Driehaus Frontier Emerging Markets Fund	**-1.01**	**-12.00**
MSCI Frontier Markets Index[2]	-1.20	-14.78

PORTFOLIO CHARACTERISTICS

	Fund	Benchmark
Number of Holdings	87	120
Weighted Avg. Market Cap (M)	$2,213	$3,978
Median Market Cap (M)	$928	$1,583
Est. 3-5 Year EPS Growth	18.0%	10.6%
Active Share	78.55	n/a
Market Cap Breakout		
< $5 billion	88.8%	76.6%
$5 - $15 billion	11.2%	23.1%
> $15 billion	0.0%	0.2%

TOP 5 HOLDINGS[3] (as of 1/31/16)

Company	Sector	Country	% of Fund
Safaricom Limited	Telecom-munication Services	Kenya	3.3%
Brac Bank Limited	Financials	Bangladesh	3.0%
Banco Macro SA Sponsored ADR Class B	Financials	Argentina	3.0%
Zenith Bank PLC	Financials	Nigeria	3.0%
Adecoagro S.A.	Consumer Staples	United States	2.6%

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance
Data as of 2/29/16.

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.

[1]Inception date: 5/4/2015. [2]Benchmark: The Morgan Stanley Capital International Frontier Markets Index provides broad representation of the equity opportunity set while taking investability requirements into consideration within each market. MSCI classifies 33 countries as frontier markets, 24 of which are included in the MSCI Frontier Markets Index. [3]Holdings subject to change. [4]Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated April 15, 2015. 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. "Other Expenses" are estimated for the current fiscal year because the Fund did not commence operations until May 4, 2015. Driehaus Capital Management LLC, the Fund's investment adviser, has entered into a contractual agreement to cap the Fund's ordinary annual operating expenses (excluding interest, taxes, brokerage commissions and other investment-related costs and extraordinary expenses) at 2.00% of average daily net assets until the earlier of the termination of the investment advisory agreement, by the Board of Trustees or the Fund's shareholders, or April 30, 2018. Pursuant to the agreement, and so long as the investment advisory agreement is in place, for a period of three years subsequent to the Fund's commencement of operations on May 4, 2015, the investment 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.

COUNTRY WEIGHTS

	Fund	Benchmark	Active weights
Argentina	7.3%	13.8%	-6.5%
Bangladesh	12.7%	2.6%	10.1%
Botswana	2.4%	0.0%	2.4%
Canada	1.4%	0.0%	1.4%
Colombia	0.2%	0.0%	0.2%
Egypt	1.7%	0.0%	1.7%
Estonia	0.2%	0.5%	-0.4%
Georgia	0.4%	0.0%	0.4%
Hungary	0.5%	0.0%	0.5%
Kenya	7.6%	5.5%	2.1%
Kuwait	2.0%	20.6%	-16.6%
Morocco	0.5%	7.2%	-6.7%
Nigeria	2.0%	11.6%	-9.5%
Pakistan	12.0%	8.5%	3.5%
Qatar	0.9%	0.0%	0.9%
Romania	5.8%	1.9%	3.9%
Saudi Arabia	1.0%	0.0%	1.0%
Senegal	1.4%	0.0%	1.4%
South Africa	1.0%	0.0%	1.0%
Sri Lanka	3.3%	1.7%	1.6%
Tanzania	1.0%	0.0%	1.0%
Thailand	1.5%	0.0%	1.5%
Togo	0.7%	0.7%	0.0%
Ukraine	0.7%	0.0%	0.7%
United Arab Emirates	1.2%	0.0%	1.2%
United Kingdom	0.5%	0.0%	0.5%
United States	2.5%	0.7%	1.9%
Vietnam	11.7%	3.7%	8.0%
Cash	15.6%	0.0%	15.6%

SECTOR WEIGHTS

	Fund	Benchmark	Active Weights
Consumer Discretionary	3.0%	0.4%	2.6%
Consumer Staples	13.9%	7.6%	6.3%
Energy	1.5%	9.9%	-8.5%
Financials	35.7%	53.1%	-17.4%
Health Care	3.9%	3.4%	0.5%
Industrials	4.4%	2.8%	1.6%
Information Technology	0.0%	0.4%	-0.4%
Materials	9.9%	7.3%	2.6%
Telecomm. Services	7.3%	13.9%	-6.6%
Utilities	6.4%	1.3%	5.1%
Cash	13.7%	0.0%	13.7%
Unassigned	0.5%	0.0%	0.5%

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance
Data as of 2/29/16. Benchmark: MSCI Frontier Markets Index

Driehaus Securities LLC, Distributor

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: 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. **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. **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. **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. Source: eVestment Alliance. **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. The excess return of the fund relative to the return of the benchmark index is a fund's alpha. **Sharpe ratio** is calculated by finding the portfolio's excess return and then dividing by the portfolio's standard deviation. **Information Ratio (IR)** measures a portfolio manager's ability to generate excess returns relative to a benchmark, but also attempts to identify the consistency of the investor. This ratio will identify if a manager has beaten the benchmark by a lot in a few months or a little every month. The higher the IR the more consistent a manager is and consistency is an ideal trait. **R-squared** is a statistical measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. For fixed-income securities, the benchmark is the T-bill. For equities, the benchmark is the S&P 500.