

# Driehaus Frontier Emerging Markets Fund

## 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

\$78 million

## FIRM ASSETS UNDER MANAGEMENT

\$8.3 billion

## INVESTMENT UNIVERSE

Frontier markets all cap equity

## INVESTMENT STYLE

Growth equity

## PORTFOLIO MANAGERS



**Chad Cleaver, CFA**  
Lead Portfolio Manager  
15 years of industry experience



**Richard Thies**  
Portfolio Manager  
10 years of industry experience



The first quarter of 2017 brought a number of political, macroeconomic and market-related developments across some of the largest frontier markets.

First, Argentina continued its path to reform, implementing several key measures related to the energy sector and economic openness. These measures included the lifting of a 120-day waiting period for foreign investors prior to repatriating capital, an increase in natural gas prices to incentivize development of the country's prolific shale resources, and a reduction of electricity subsidies. Tax and pension reform will be key issues to address in 2018, and passing such reforms may entail a greater degree of complexity than President Macri has faced thus far. While Argentina's economy has begun to show improving growth, and inflation rates have come down, midterm elections in October will be a test for the current government, particularly with the potential return of former Peronist president Christina Fernandez de Kirchner and 2015 presidential candidate Sergio Massa. Political developments and signals about the effectiveness of the reform agenda will be key for Argentine equities in the coming months.

Second, Kuwait's equity market staged a sharp rally, albeit without the meaningful fundamental change witnessed in Argentina. Investors took comfort in Kuwait's \$8 billion bond issuance, which was nearly four times oversubscribed, increasing confidence in the country's fiscal situation should a Federal Reserve tightening cycle or renewed pressure on oil prices materialize. However, the first quarter's key driver of the equity market was mostly technical in nature, resulting from increased allocations to local managers following a liquidity event, along with sentiment that greater in-house management of the country's sovereign wealth fund may lead to further flows into local equities.

## 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 April 4, 2017 and are subject to change at any time due to changes in market or economic conditions. The commentary has not been updated since April 4, 2017 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.*

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Finally, regulatory noise picked up in Kenya. After interest rate caps on banks were instituted in August 2016, new concerns were raised in the financial sector, this time over the dominance of Kenya's leading mobile money platform, prompting speculation on the breakup of its operator, the country's incumbent telecom provider. With the company in question contributing nearly 6% to Kenya's GDP, we see the broader risk of a breakup as being overblown. However, the questions over the company's market dominance contributed to increased turbulence in the equity market during the quarter.

Together, these three markets represent 38% of the MSCI Frontier Index. While we moved quickly to close our underweight in the energy sector within Argentina, we remain heavily underweight Kuwait and retain a neutral position in Kenya. While we remain attentive to fundamental change and had increased exposure in the Middle East coming into 2017, we do not currently believe that Kuwait justifies a higher weighting in the portfolio. Instead, we continue to favor underrepresented areas of frontier markets, such as Bangladesh and Vietnam, where we maintain material overweights relative to the benchmark.

### **Portfolio Positioning and Outlook**

We continue to favor domestic demand in South Asia and Vietnam within the portfolio, adding to exposures in Bangladesh and Vietnam during the quarter. New listings and company-specific inflection points reached in a number of consumer oriented companies in Vietnam fuel our optimism on the market, where we see a continuation of 6%+ GDP growth with modest inflation, creating a strong backdrop for domestic demand.

As we articulated in recent months, we have moved to a neutral stance in Pakistan, after maintaining an overweight position since the inception of the fund. While earnings growth has been strong, the potential for further acceleration has diminished in our view, as execution risks associated with China-Pakistan Economic Corridor projects and nascent inflation both pose potential challenges to the forward outlook. Further, a slowdown in remittances alongside a growing trade deficit points to a deteriorating balance of payments. This reduction in Pakistan has been offset by an increased position in the energy sector in Argentina, behind the reform measures discussed above, as well as a brighter outlook for drilling in the highly prospective Vaca Muerta shale acreage.

Going forward, we are watching the evolution of policy and reform in key markets, as well as the degree to which inflation rates accelerate across frontier markets, particularly those that have benefited significantly from disinflation in recent years and may be particularly vulnerable in such an environment. We continue to be encouraged by the resilience of frontier markets amid rising global uncertainty, and expect that the low correlation of these markets to global equities will prove to be an attractive element of this under allocated asset class.

Until next month,



**Chad Cleaver**  
*Lead Portfolio Manager*



**Rich Thies**  
*Portfolio Manager*

**% MONTH-END ANNUAL TOTAL RETURN** (as of 3/31/17)

	MTH	YTD	1 Year	Inception <sup>1</sup>
<b>DrieHaus Frontier Emerging Markets Fund</b>	<b>3.14</b>	<b>6.38</b>	<b>17.16</b>	<b>1.19</b>
MSCI Frontier Markets Index <sup>2</sup> (ND) (Benchmark)	2.47	8.89	12.86	-2.62
MSCI Frontier Markets Index <sup>2</sup> (GD)	2.61	9.05	13.35	-2.18

**% QUARTER-END ANNUAL TOTAL RETURN** (as of 3/31/17)

	QTR	YTD	1 Year	Inception <sup>1</sup>
<b>DrieHaus Frontier Emerging Markets Fund</b>	<b>6.38</b>	<b>6.38</b>	<b>17.16</b>	<b>1.19</b>
MSCI Frontier Markets Index <sup>2</sup> (ND) (Benchmark)	8.89	8.89	12.86	-2.62
MSCI Frontier Markets Index <sup>2</sup> (GD)	9.05	9.05	13.35	-2.18

**% CALENDAR YEAR RETURN** (Since Inception)

■ DrieHaus Frontier Emerging Markets Fund  
 ■ MSCI Frontier Markets Index (ND)<sup>2</sup>  
 ■ MSCI Frontier Markets Index GD<sup>2</sup>



	2015*	2016
■	-12.00	9.26
■	-14.81	2.66
■	-14.62	3.16

\*5/4/15 - 12/31/15

**ANNUAL FUND OPERATING EXPENSES<sup>3</sup>**

Management fee:	1.50%
Other expenses:	2.39%
Acquired Fund Fees and Expenses	0.02%
Total annual fund operating expenses:	3.91%
Expense Reimbursement:	(1.89%)
<b>Total Annual Fund Operating Expenses After Expense Reimbursement:</b>	<b>2.02%<sup>4</sup></b>

**PORTFOLIO CHARACTERISTICS**

	Fund	Benchmark
Number of Holdings	84	127
Weighted Avg. Market Cap (M)	\$3,244	\$4,596
Median Market Cap (M)	\$1,088	\$1,744
Est. 3-5 Year EPS Growth	12.4%	13.2%
Active Share	67.76	n/a
<b>Market Cap Breakout</b>		
< \$5 billion	77.5%	66.4%
\$5 - \$15 billion	22.5%	33.6%
> \$15 billion	0.0%	0.0%

Sources: DrieHaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance  
 Data as of 3/31/17.

The performance data shown represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Principal value and investment returns will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Performance data represents the rate that an investor would have earned (or lost), during the given month, on an investment in the Fund (assuming reinvestment of all dividends and distributions). Average annual total return reflects annualized change. Since Fund performance is subject to change after the month-end, please call (800) 560-6111 or visit [www.driehaus.com](http://www.driehaus.com) for more current performance information.

<sup>1</sup>Inception date: 5/4/2015. <sup>2</sup>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 as a frontier market. Data is in US Dollars. The net dividend (ND) index is calculated with net dividend reinvestment. The gross dividend (GD) index is calculated with gross dividend reinvestment. The benchmark has changed from the MSCI Frontier Markets Index (GD) to the MSCI Frontier Markets Index (ND) because the net index is more commonly used industry wide and is a more representative comparison versus the fund because it is presented net of foreign withholding taxes. <sup>3</sup>Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated April 30, 2016. 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. <sup>4</sup>DrieHaus Capital Management LLC, the Fund's investment adviser, has entered into a contractual agreement to cap the Fund's ordinary annual operating 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 May 3, 2018. The expense cap excludes interest, taxes, brokerage commissions and other investment-related costs and extraordinary expenses, including the acquired fund fees and expenses, resulting in the current total annual fund operating expenses after expense reimbursement of 2.02%. 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 as well as the existing operating expense cap.

## COUNTRY WEIGHTS

	Fund	Benchmark		Fund	Benchmark
Argentina	12.8%	16.8%	Panama	0.4%	0.0%
Bahrain	0.0%	3.3%	Poland	0.5%	0.0%
Bangladesh	12.6%	2.2%	Qatar	0.7%	0.0%
Botswana	0.5%	0.0%	Romania	7.0%	3.8%
Colombia	1.7%	0.0%	Saudi Arabia	1.0%	0.0%
Croatia	1.6%	1.3%	Senegal	1.2%	0.9%
Egypt	3.7%	0.0%	Singapore	0.6%	0.0%
Estonia	0.9%	0.4%	Slovenia	0.0%	1.5%
Georgia	0.8%	0.0%	South Africa	0.5%	0.0%
Ivory Coast	0.0%	0.2%	Srb	0.0%	0.2%
Jordan	1.5%	1.4%	Sri Lanka	1.9%	1.3%
Kazakhstan	0.5%	1.9%	Suriname	0.7%	0.0%
Kenya	4.3%	4.0%	Tanzania	0.8%	0.0%
Kuwait	2.2%	17.6%	Togo	0.0%	0.2%
Lebanon	0.0%	3.0%	Tunisia	0.0%	0.5%
Lithuania	0.0%	0.1%	UAE	2.5%	0.0%
Mauritius	0.0%	2.7%	United Kingdom	2.6%	0.0%
Morocco	1.9%	7.6%	United States	1.5%	1.0%
Nigeria	5.1%	6.3%	Vietnam	12.8%	9.2%
Oman	0.0%	3.5%	Cash	5.7%	0.0%
Pakistan	9.5%	9.0%			

## SECTOR WEIGHTS

	Fund	Benchmark	Active Weights
Consumer Discretionary	4.0%	1.2%	2.8
Consumer Staples	9.4%	8.6%	0.8
Energy	7.0%	9.2%	-2.2
Financials	37.6%	44.4%	-6.8
Health Care	4.8%	2.4%	2.4
Industrials	8.9%	3.7%	5.2
Information Technology	0.0%	0.8%	-0.8
Materials	6.0%	7.6%	-1.6
Real Estate	2.5%	4.7%	-2.2
Telecomm. Services	7.5%	12.9%	-5.4
Utilities	5.1%	4.4%	0.8
Cash	5.7%	0.0%	5.7
Unassigned	1.5%	0.0%	1.5

TOP 5 HOLDINGS<sup>1</sup> (as of 2/28/17)

Company	Sector	Country	% of Fund
Safaricom Limited	Telecommunication Services	Kenya	3.4%
Banca Transilvania SA	Financials	Romania	3.4%
Zenith Bank PLC	Financials	Nigeria	3.2%
Brac Bank Limited	Financials	Bangladesh	3.0%
YPF SA Sponsored ADR Class D	Energy	Argentina	2.7%

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance  
Data as of 3/31/17. Benchmark: MSCI Frontier Markets Index (ND)

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<sup>1</sup>Holdings subject to change.

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](http://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.