

Driehaus Micro Cap Growth Fund

KEY FEATURES

- Benchmark aware, not benchmark constrained
- Opportunistic investment approach
- High active share

INCEPTION DATE

November 18, 2013

The fund's predecessor limited partnership has a performance inception date of 1/1/2003.

FUND ASSETS UNDER MANAGEMENT

\$367.4 million

FIRM ASSETS UNDER MANAGEMENT

\$8.8 billion

INVESTMENT STYLE

Growth equity

PORTFOLIO MANAGERS



Jeff James
Portfolio Manager
28 years of industry experience



Michael Buck
Assistant Portfolio Manager
18 years of industry experience



MARKET OVERVIEW

After a long absence, volatility returned to the equity markets in the first quarter of 2018. January started bullishly as the major indices continued their steep upward trend from 2017. Investor optimism was boosted by the strong U.S. corporate earnings outlook for 2018, supported by the sweeping U.S. tax cuts, deregulation and a robust global macroeconomic picture. However, market conditions changed in early February as fear of inflation was stoked by higher January wage inflation data and the crowded short-volatility trade was suddenly unwound, causing a significant sell-off in equities as the S&P 500 corrected greater than 10% in a matter of days.

From an oversold position, equities then bounced on the back of strong corporate earnings but the advance could not be sustained as the indices sharply pulled back in March to “re-test” the February lows to end the quarter. This technical “re-test” has occurred as the market is struggling to deal with the threat of a Trade War caused by President Trump’s trade rhetoric and proposed tariffs aimed at China. The fear is that the proposed U.S. tariffs and China’s retaliatory tariff proposals will become bad policy and will negatively impact global trade, economic growth and corporate earnings. It is significant that both soybeans and aircraft have been included in the Chinese response. Fortunately, the U.S. says it is talking to China. The positive outcome would be a watered down set of tariffs and ultimately a better set of trade rules between the world’s two largest and co-dependent economies.

The next few months will be critical for both sides to resolve intellectual property issues and proposed tariffs on many key products. In addition to the U.S.-Chinese trade issue, real issues like higher interest rates and noisy ones like continuous personnel changes at the White House and Trump’s tweet attacks are also weighing on equities as concerns grow that these will potentially offset the tax cuts impacting economic growth. Interestingly and positively, the credit, Treasury and currency market thus far are taking all these developments much more in stride and have been relatively calm. Perhaps the bond vigilantes of yesteryear have become “equity vigilantes” as Trump views the stock market as his key barometer.

For the moment at least, the equity market is no longer as forgiving of Trump as it once was. Also, the leading large cap tech stocks and large cap tech in general are no longer the safe havens they once appeared to be. The market is now lacking leadership in both cases.

While the market searches for leadership and a near-term bottom, we are constructive on multiple fronts. The U.S. economic outlook has broadly strengthened overall despite some indicators moderating. Fiscal policy is stimulative, job gains are boosting incomes and confidence, inflation remains consistently below the Fed’s target and economic outlook is for continued expansion. Growth (as a style) is outperforming value. Smaller caps are outperforming large caps. Micro and small caps have better earnings growth currently and are less exposed to trade and

tariff issues. Overall earnings are growing rapidly and positive earnings per share (EPS) revisions are occurring at the fastest pace in many years. Anecdotally, the recent fourth quarter earnings season was one of the strongest we have witnessed overall for our portfolio companies. We anticipate strong earnings again in the upcoming March quarter earnings season. Finally, equity valuations have come down nearly three price to earnings (P/E) turns in the past two months for both the major indices and for our portfolio as consensus earnings expectations have strongly risen and equity prices have pulled back.

PERFORMANCE REVIEW

For the first quarter, the Driehaus Micro Cap Growth

Fund outperformed its benchmark. The fund returned 5.05%, net of fees, while the Russell Micro Cap Growth Index rose 0.99% and the Russell 2000 rose 2.30%.¹

By sector, for the quarter, the fund's relative outperformance was dominated by technology as well as consumer discretionary. Portfolio holdings in both sectors experienced strong earnings and both were market leaders outperforming all other sectors. Financials and health care also outperformed. In contrast to the last several quarters, we did have a few sectors detract from results

as the market breadth did narrow during the quarter. On the downside, industrials, materials and energy sectors underperformed and contributed negatively to portfolio's total return for the quarter.

Technology was led by very broad leadership in cloud-based enterprise and internet software, followed by semiconductors and specialty hardware (memory components, systems and solar equipment), as well as e-commerce. Health care's outperformance was led by significant gains in a broad number of biotech holdings, followed

by several medical device companies. Consumer discretionary did have strong performance from education-related companies and a few consumer brand name companies. Industrials had positive performance from transportation companies, offset by negative performance in building products. Materials and energy continue to be difficult sectors but are small in terms of absolute weightings.

OUTLOOK & POSITIONING

Trade policy is the key concern for the market currently. It is fearful that Trump's tariff

proposals and loud rhetoric will spark a Trade War which would impact economic growth. Trade negotiations to be conducted over the next couple months with China will help determine actual policy and then the eventual impact on economic growth. Thus far, our view is that this process may slightly impact economic growth on the margin but actual tariffs and their impact will be less severe than what has been proposed. Therefore, absent of additional information, it will likely not lead to a material economic slowdown or anything close to a recession.

Elsewhere, corporate earnings are expected to grow approximately 20% plus this year and economic growth

should be sustained. Credit conditions are benign. Most key economic statistics and indicators are trending positively, with many at new cycle highs. Tax cuts are incrementally boosting earnings (and helping valuations) and deregulation is helping business optimism. Inflation may have an upward bias but most inflation data remains benign. The equity market's breadth and leadership has deteriorated which is a concern, but this is typical behavior during market corrections. Near-term, the market needs better clarity on trade policy which productive trade negotiations with China

“Micro and small caps have better earnings growth currently and are less exposed to trade and tariff issues.”

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. 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. 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.

Sources: Driehaus Capital Management LLC, Factset, Reuters and MSCI Indices

could provide. That, together with continued strong economic and earnings trends, should put the market in a favorable position, as this correction has removed some excess and froth and has adjusted valuations materially lower.

In terms of positioning, the strategy is overweight the following sectors: consumer discretionary, consumer staples, industrials, technology, telecom and financials. Health care, technology, consumer discretionary, and industrials are the four largest absolute weightings. The strategy is underweight health care, real estate, and industrials.

We look forward to the upcoming earnings season to assess the fundamental progress and outlooks of our portfolio companies. We continue to hold and discover an exciting mix of inefficiently priced and less discovered companies that are early in their growth expansions. We are confident that these differentiated companies will continue to gain market share and become larger companies over time.

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PERFORMANCE as of 3/31/18

	Annualized Total Return						
	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Inception 1/1/03
Driehaus Micro Cap Growth Fund¹	5.06%	5.06%	29.77%	12.74%	17.48%	13.38%	17.49%
Russell Microcap [®] Growth Index ²	0.99%	0.99%	14.79%	4.65%	10.91%	9.35%	9.72%

ANNUAL FUND OPERATING EXPENSES³

Management fee:	1.25%	Other expenses:	0.23%	Total annual fund operating expenses:	1.48%
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SECTOR PERFORMANCE ATTRIBUTION 1st Quarter — 12/31/17 to 3/31/18

	Driehaus Micro Cap Growth Fund (Port) (%)		Russell Microcap [®] Growth Index ¹ (Bench) (%)		Attribution Analysis (%)		
	Port Avg. Weight	Port Contrib To Return	Bench Avg. Weight	Bench Contrib To Return	Allocation Effect	Selection + Interaction	Total Effect
GICS Sector							
Consumer Discretionary	18.45	0.76	10.07	-0.86	-0.85	2.42	1.57
Consumer Staples	4.49	0.28	2.89	0.16	0.07	0.05	0.12
Energy	2.80	-0.42	2.34	-0.18	-0.09	-0.13	-0.22
Financials	7.92	0.80	8.17	0.32	-0.02	0.44	0.42
Health Care	26.46	1.71	40.12	1.81	-0.61	0.51	-0.10
Industrials	12.16	-0.89	11.67	-0.10	-0.11	-0.68	-0.79
Information Technology	23.32	3.36	18.81	0.23	0.00	3.11	3.11
Materials	2.53	-0.20	2.03	-0.12	-0.03	-0.05	-0.08
Real Estate	0.10	-0.02	1.84	-0.27	0.25	0.02	0.27
Telecom. Services	1.37	0.03	1.21	-0.00	-0.05	0.08	0.03
Utilities	0.00	0.00	0.85	-0.05	0.07	0.00	0.07
Cash	0.41	0.00	0.00	0.00	0.06	0.00	0.06
Other	0.00	-0.35	0.00	0.00	-0.35	0.00	-0.35
Total	100.00	5.04	100.00	0.94	-1.66	5.76	4.10

Data as of 3/31/18 Sources: Russell Investments, eVestment Alliance, LLC, SS&C Inc., Russell Investments and Standard & Poor's Global Industry Classification Standard and Driehaus Capital Management LLC. 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. 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), 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. **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.** ¹The average annual total returns of the Driehaus Micro Cap Growth Fund include the performance of one of the Fund's predecessor limited partnerships, which is calculated from January 1, 2003, before the Fund commenced operations and succeeded to the assets of its predecessors on November 18, 2013. The Fund's predecessors are the Driehaus Micro Cap Fund, L.P. (1996 inception) and the Driehaus Institutional Micro Cap Fund, L.P. (2011 inception). The performance of the Driehaus Micro Cap Fund, L.P., which was selected because it has the longer track record of the two predecessor partnerships, has been restated to reflect estimated expenses of the Fund. The predecessor limited partnerships were not registered under the Investment Company Act of 1940, as amended ("1940 Act") and thus were not subject to certain investment and operational restrictions that are imposed by the 1940 Act. If the predecessors had been registered under the 1940 Act, their performance may have been adversely affected. After-tax performance returns are not included for the Driehaus Micro Cap Fund, L.P. The predecessors were not regulated investment companies and therefore did not distribute current or accumulated earnings. ²The Russell Microcap[®] Growth Index is constructed to provide a comprehensive and unbiased barometer of the microcap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate microcap growth manager's opportunity set. The index has an inception date of July 2000. ³Represents the estimated 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. "Other Expenses" are estimated for the current fiscal year. The Russell Indices are a trademark/service mark of the Frank Russell Company. Russell is a trademark of the Frank Russell[®] Company. Per FactSet Research Systems Inc., the Attribution Report provides an in-depth analysis of relative performance. With this report one can research whether or not 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. Driehaus Securities LLC, Distributor

ATTRIBUTION ANALYSIS CATEGORIES ARE DEFINED AS: **Allocation Effect** - Measures the impact of the decision to allocate assets differently than those in the benchmark. **Security Selection Effect** - Measures the effect of choosing securities, which may or may not outperform those of the benchmark. **Interaction Effect** - Jointly measures the effect of allocation and selection decisions. **Total Effect** - The Total Effect for each MSCI/GICS Sector is equal to the sum of the individual Attribution Effects for that MSCI/GICS Sector.

TOP 5 HOLDINGS¹ (as of 2/28/18)

Company	Sector	Description	% of Fund
Array BioPharma Inc.	Health Care	Drug development company focused on genetically defined cancers	2.6
SMART Global Holdings, Inc.	Information Technology	Provider of specialty memory solutions	2.3
Loxo Oncology Inc	Health Care	Drug development company focused on genetically defined cancers	2.2
Tactile Systems Technology, Inc.	Health Care	Medical device company that sells solutions for patients with lymphadema	2.0
GTT Communications, Inc.	Information Technology	Provider of cloud networking services for global enterprises	2.0

SECTOR WEIGHTS

Month-End Absolute Weights

	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Telecomm. Services	Utilities	Cash
Fund	18.4	4.7	2.3	7.4	27.7	11.4	22.7	2.4	0.0	1.8	0.0	1.2
Benchmark	9.6	3.0	2.2	8.3	40.5	11.7	18.8	2.1	1.8	1.2	0.9	0.0
Active Weights	8.8	1.7	0.1	-0.9	-12.8	-0.2	4.0	0.3	-1.8	0.6	-0.9	1.2

PORTFOLIO CHARACTERISTICS

	Fund	Benchmark	5-year period	Fund	Benchmark
Number of Holdings	123	885	Annualized Alpha	5.86	n/a
Weighted Avg. Market Cap (M)	\$1,322	\$721	Sharpe Ratio	0.93	0.63
Median Market Cap (M)	\$929	\$231	Information Ratio	1.05	n/a
Active Share (3-year avg.) ²	80.64	n/a	Beta	1.03	1.00
Market Cap Breakout			Standard Deviation	18.41	16.78
< \$1 billion	40.4	74.7	Tracking Error	6.23	0.00
> \$1 billion	59.6	25.3	R-squared	0.89	1.00

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance

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Data as of 3/31/18. Benchmark: Russell Microcap[®] Growth Index

¹Holdings subject to change. ²Data is calculated monthly.

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 this Fund may not experience similar performance results as its assets grow. The securities of micro-cap companies may be more volatile in price, have wider spreads between their bid and ask prices, and have significantly lower trading volumes than the securities of larger capitalization companies. As a result, the purchase and sale of more than a limited number of shares of the securities of a smaller company may affect its market price. Growth stocks may involve special risks and their prices may be more volatile than the overall market. 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. 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.**

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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.