

# Driehaus Emerging Markets Growth Fund

Investor Class: **DREGX**Institutional Class: **DIEMX**

## KEY FEATURES

- All cap global emerging markets exposure
- Benchmark aware, not benchmark constrained
- Opportunistic investment approach
- High active share

## INCEPTION DATES

DREGX: 12/31/1997  
DIEMX: 7/17/2017+

## FUND ASSETS UNDER MANAGEMENT

DREGX: \$1,165 million  
DIEMX: \$713 million

## FIRM ASSETS UNDER MANAGEMENT

\$8.8 billion

## INVESTMENT UNIVERSE

Emerging markets all cap equity

## INVESTMENT STYLE

Growth equity

## PORTFOLIO MANAGERS



**Howard Schwab**  
Lead Portfolio Manager  
17 years of experience



**Chad Cleaver, CFA**  
Portfolio Manager  
16 years experience



**Richard Thies**  
Portfolio Manager  
11 years of investment experience



## MARKET OVERVIEW

The defining development in global equity markets during the first quarter was a dramatic resurgence in volatility. To provide some context, first quarter realized volatility for the S&P 500 was similar to realized volatility for the entire year of 2017. Two key factors contributed to the volatility spike. The first was January US wage data, which acted as a tipping point in the acceleration of average hourly earnings growth. This touched off concerns about the pace of Federal Reserve (Fed) tightening and the trajectory of US interest rates. The second contributing factor was negative rhetoric related to global trade, namely potential imposition of tariffs by the US on key trading partner China.

Despite the volatile environment, emerging markets once again posted the best performance among global equity markets. The resilience demonstrated by the asset class is encouraging. The MSCI Emerging Markets Index rose 1.07% in US dollar terms during the quarter, while the S&P 500 declined by 1.22% and the MSCI World Index fell by 1.74%. It's worth noting that this was the fifth consecutive quarter in which emerging market equities outperformed developed market equities.

Brazil was the strongest performer among the major emerging countries as the market returned 12.4% in dollar terms. While

Brazil's economy continues to recover from a deep recession, favorable macroeconomic developments were complemented by positive political news. Former President Lula's conviction was upheld, virtually eliminating the possibility of him running in the upcoming election and reducing the likelihood that the country will return to populism. Russia was the second best emerging market country performer. Russian equities appreciated by 9.4%, driven by a buoyant oil price and an improving economy.

India was the most notable underperformer among the major emerging markets. Numerous tailwinds contributed to the market's 7.0% quarterly decline. The increasing cost of oil (India is a significant importer) pressured the country's current account, and subsequently its currency. Associated with this, rising bond yields and borrowing costs weighed on valuation multiples and impacted expensive growth stocks specifically. Furthermore, a large scale banking sector fraud, while limited to a small group of state lenders, negatively impacted market sentiment.

## PERFORMANCE REVIEW

For the quarter, the Driehaus Emerging Markets Growth Fund returned 1.99% (DREGX) and 2.07% (DIEMX) while the MSCI Emerging Markets Index returned 1.42%.<sup>1</sup>

<sup>1</sup>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. 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](http://www.driehaus.com) for more current performance information. Sources: Driehaus Capital Management LLC, Factset, Reuters and MSCI Indices

Russia was the fund's largest country contributor. Outperformance was driven by both selection and allocation, as the fund was overweight the outperforming market and the fund's holdings also outperformed. A bank holding explained much of the fund's country alpha. The stock performed well as earnings growth exceeded expectations and management provided positive commentary regarding dividends.

South Africa was also accretive to the fund's performance. The country's recent political transition has raised hopes for a return to prudent economic management and stronger GDP growth. Rising economic sentiment drove strong performance for an apparel retailer held by the fund. The company should benefit from improved and accelerating consumption growth. The fund also benefited from being underweight a large technology company that underperformed.

Brazil represented the largest drag on the fund's performance. While country allocation was correct (the fund was slightly overweight the outperforming market), stock selection was a headwind. Our mix of holdings lagged the benchmark as the fund's positioning is less cyclical than that of the benchmark. Specifically, underweights to the financial and energy sectors hurt as both sectors outperformed significantly.

Materials and information technology were the fund's most positive sector contributors. Materials outperformance was broad-based, driven by diverse holdings across numerous countries and subsectors. Tech outperformance was driven by an underweight to a large Chinese internet company, as well as outperformance of a Latin American e-commerce holding and a Russian search engine.

The energy and utilities sectors detracted from performance. Lack of exposure to a large Brazilian energy company was a key headwind, as the company outperformed due to rising oil price and positive macroeconomic sentiment in Brazil. Utilities underperformance was driven by two holdings in India. While the structural growth case for both companies has not changed and earnings delivery remains strong, the stocks' valuations were negatively impacted by rising government bond yields.

#### **OUTLOOK AND POSITIONING**

During the quarter, the fund reduced exposure to the consumer sector and increased exposure to the materials, information technology, and industrials sectors. The decision to reduce consumer exposure was company-specific, as we exited a few stocks for which earnings growth and revisions began to stall and valuation had become expensive. Most of the sectors to which the fund increased exposure are classified as

cyclical. We continue to see opportunities in countries and sectors that are recovering after having undergone significant economic slowdowns and adjustments during the 2011-2015 period. The fund maintains exposure to companies exhibiting a cyclical improvement in earnings, emphasizing pricing power and operational efficiencies in an environment in which input costs are rising. The fund's largest overweights are consumer discretionary and financials, while its largest underweights are consumer staples and energy.

While we are mindful of the risk posed by tightening US monetary policy and trade war rhetoric, we remain positive on the prospects for emerging market equities as an asset class, particularly relative to developed markets. We believe emerging markets will successfully navigate the US monetary tightening cycle. We are also of the view that cooler heads will ultimately prevail in tariff negotiations, and a large scale global trade war will be avoided. The relative case for emerging markets, which we continue to emphasize, remains intact. The case is built upon attractive relative valuations and improving fundamentals, most notably a better outlook for profit margins and growth, as well as more disciplined corporate management, and structural reforms. We believe small cap companies, in particular, are becoming increasingly attractive following two years of substantial underperformance versus large caps.

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*This update is not intended to provide investment advice. Nothing herein should be construed as a solicitation, recommendation or an offer to buy, sell or hold any securities, other investments or to adopt any investment fund or strategies. You should assess your own investment needs based on your individual financial circumstances and investment objectives.*

*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 20, 2018 and are subject to change at any time due to changes in market or economic conditions. The material has not been updated since April 20, 2018 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.*

PERFORMANCE (%) as of 3/31/18	Annualized Total Return						
	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Inception 12/31/97
<b>Investor Class: DREGX</b>	1.99	1.99	31.16	10.10	6.23	4.62	12.21
<b>Institutional Class: DIEMX<sup>+</sup></b>	2.07	2.07	31.31	10.15	6.26	4.63	12.22
MSCI Emerging Markets Index <sup>1</sup> (ND) (Benchmark)	1.42	1.42	24.93	8.81	4.99	3.02	*
MSCI Emerging Markets Growth Index <sup>2</sup> (ND)	1.22	1.22	31.73	10.89	7.30	3.87	*

<sup>+</sup>Institutional Class performance is that of the Investor Class from December 31, 1997 through the inception of the Institutional Class on July 17, 2017, and actual Institutional Class performance thereafter. Performance has not been adjusted to reflect the expenses of the Institutional Class for the period prior to the Class's inception, and Institutional Class performance results would differ if such expenses were reflected.

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

	Management Fee <sup>**</sup>	Other Expenses <sup>5</sup>	Acquired Fund Fees and Expenses	Total Annual Fund Operating Expenses
<b>Investor Class: DREGX<sup>4</sup></b>	1.05%	0.40%	0.02%	<b>1.47%</b>
<b>Institutional Class: DIEMX<sup>4</sup></b>	1.05%	0.15%	0.02%	<b>1.22%</b>

<sup>\*\*</sup>Effective July 17, 2017, the Driehaus Emerging Markets Growth Fund pays the Adviser an annual management fee on a monthly basis as follows: 1.05% of average daily net assets up to \$1.5 billion and 0.75% of average daily net assets in excess of \$1.5 billion.

### SECTOR PERFORMANCE ATTRIBUTION 1st Quarter — 12/31/17 to 3/31/18

	Driehaus Emerging Markets Growth Fund (DREGX) (Port) (%)			MSCI Emerging Markets Index (ND) <sup>1</sup> (Bench) (%)			Attribution Analysis (%)
	Port Avg. Weight	Port Total Return	Port Contrib To Return	Bench Avg. Weight	Bench Total Return	Bench Contrib To Return	Total Effect <sup>6</sup>
MSCI/GICS Sector							
Consumer Discretionary	13.33	-0.05	0.03	7.48	-4.52	-0.33	0.24
Consumer Staples	3.57	-0.30	0.06	6.27	-1.08	-0.05	0.06
Energy	4.11	6.49	0.24	6.92	7.88	0.48	-0.20
Financials	27.18	3.10	0.94	24.28	4.05	0.86	-0.11
Health Care	2.76	16.97	0.47	2.72	7.04	0.19	0.27
Industrials	4.91	-3.36	-0.28	5.14	-1.21	-0.06	-0.11
Information Technology	28.04	1.55	0.68	29.92	1.10	0.41	0.29
Materials	5.09	6.94	0.26	7.47	0.95	0.08	0.34
Real Estate	0.58	-1.68	-0.04	2.80	-2.14	-0.06	0.00
Telecommunication Services	2.75	-0.24	-0.01	4.61	-3.70	-0.17	0.17
Utilities	1.52	-9.24	-0.14	2.39	2.85	0.06	-0.18
Cash	6.17	-0.45	-0.03	0.00	0.00	0.00	-0.01
Unassigned <sup>**</sup>	0.00	-0.26	-0.26	0.00	0.00	0.00	-0.26
<b>Total</b>	<b>100.00</b>	<b>1.93</b>	<b>1.93</b>	<b>100.00</b>	<b>1.42</b>	<b>1.42</b>	<b>0.52</b>

Data as of 12/31/17

<sup>\*</sup>The inception of the fund predates the inception of the index. <sup>\*\*</sup>Unassigned refers to securities not recognized by Factset.

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance, Morgan Stanley Capital International and Standard & Poor's Global Industry Classification Standard. 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>The Morgan Stanley Capital International Emerging Markets Index (MSCI Emerging Markets Index) is a market capitalization-weighted index designed to measure equity market performance in global emerging markets. Data is in US Dollars. The net dividend (ND) index is calculated with net dividend reinvestment. <sup>2</sup>The Morgan Stanley Capital International Emerging Markets Growth Index (MSCI Emerging Markets Growth Index) is a subset of the MSCI Emerging Markets Index and includes only the MSCI Emerging Markets Index stocks which are categorized as growth stocks. Data is in US Dollars. The net dividend (ND) index is calculated with net dividend reinvestment. <sup>3</sup>Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated July 17, 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. <sup>4</sup>A shareholder may be required to pay a commission to their financial intermediary. <sup>5</sup>"Other Expenses" for the Investor Shares have been restated to reflect the addition of a shareholder services fee arrangement. <sup>6</sup>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.

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.

## SECTOR PERFORMANCE ATTRIBUTION 1st Quarter — 12/31/17 to 3/31/18

MSCI Country	Driehaus Emerging Markets Growth Fund (DREGX) (Port) (%)			MSCI Emerging Markets Index (ND) <sup>1</sup> (Bench) (%)			Attribution Analysis (%)
	Port Avg. Weight	Port Total Return	Port Contrib To Return	Bench Avg. Weight	Bench Total Return	Bench Contrib To Return	Total Effect <sup>2</sup>
Argentina	0.82	9.09	0.19	0.00	0.00	0.00	0.13
Austria	0.72	16.05	0.10	0.00	0.00	0.00	0.09
Brazil	7.75	3.46	0.28	7.28	12.36	0.80	-0.42
Cayman Islands	0.62	4.75	0.12	0.18	24.84	0.04	0.09
Chile	0.00	0.00	0.00	1.24	1.45	0.02	0.00
China	22.44	2.26	0.75	26.14	1.61	0.38	0.24
Colombia	0.00	0.00	0.00	0.42	4.85	0.02	-0.01
Czech Republic	0.00	0.00	0.00	0.18	6.40	0.01	-0.01
Egypt	0.32	16.86	0.05	0.10	14.28	0.01	0.03
France	0.35	-3.80	-0.01	0.00	0.00	0.00	-0.03
Greece	0.74	-2.67	0.00	0.33	-6.75	-0.02	0.00
Hong Kong	4.65	-0.40	-0.06	3.65	1.50	0.05	-0.03
Hungary	0.64	-1.42	-0.02	0.32	-1.00	0.00	0.03
India	10.52	-7.82	-0.81	8.29	-6.95	-0.56	-0.26
Indonesia	1.77	5.05	0.07	2.16	-7.18	-0.15	0.24
Japan	0.78	7.07	0.01	0.00	0.00	0.00	-0.04
Luxembourg	0.18	-2.56	-0.02	0.04	-5.28	0.00	-0.01
Macau	0.96	6.32	0.05	0.00	0.00	0.00	0.04
Malaysia	0.92	22.91	0.18	2.39	8.52	0.18	0.02
Mexico	2.59	5.47	0.14	2.91	0.91	0.03	0.13
Netherlands	1.06	18.02	0.18	0.04	-19.20	-0.01	0.18
Pakistan	0.00	0.00	0.00	0.08	11.44	0.01	-0.01
Peru	1.54	8.24	0.12	0.32	9.24	0.03	0.08
Philippines	1.18	-19.29	-0.23	1.05	-11.57	-0.12	-0.14
Poland	0.57	-10.28	-0.04	1.28	-8.29	-0.10	0.07
Qatar	0.00	0.00	0.00	0.55	2.51	0.01	-0.01
Romania	0.00	0.00	0.00	0.08	-41.93	-0.05	0.05
Russia	6.53	11.45	0.73	3.53	9.37	0.30	0.33
Saudi Arabia	0.83	8.00	0.09	0.00	0.00	0.00	0.17
South Africa	3.88	-0.39	0.13	6.83	-3.44	-0.17	0.28
South Korea	8.81	1.21	0.18	14.76	-0.50	-0.05	0.27
Switzerland	0.14	-0.42	0.00	0.00	0.00	0.00	-0.04
Taiwan	8.54	2.56	0.17	11.27	5.73	0.58	-0.31
Thailand	1.18	-4.11	-0.05	2.35	8.95	0.19	-0.22
Turkey	1.07	-5.70	-0.11	1.03	-5.00	-0.05	-0.05
United Arab Emirates	0.54	-8.36	-0.04	0.63	-1.02	0.00	-0.04
United Kingdom	0.14	4.76	0.02	0.00	0.00	0.00	-0.02
United States	1.06	-0.28	0.03	0.58	7.89	0.05	-0.02
Cash	6.17	-0.45	-0.03	0.00	0.00	0.00	0.00
Unassigned*	0.00	-0.26	-0.26	0.00	0.00	0.00	-0.26
<b>Total</b>	<b>100.00</b>	<b>1.93</b>	<b>1.93</b>	<b>100.00</b>	<b>1.42</b>	<b>1.42</b>	<b>0.52</b>

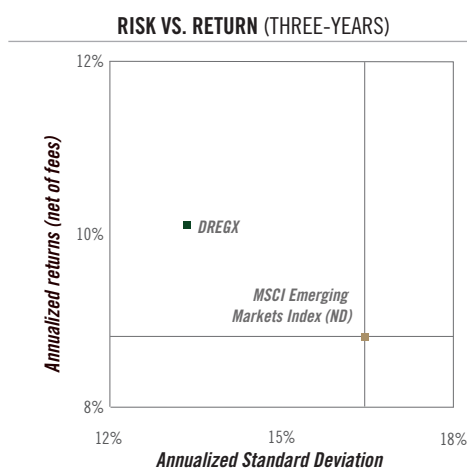
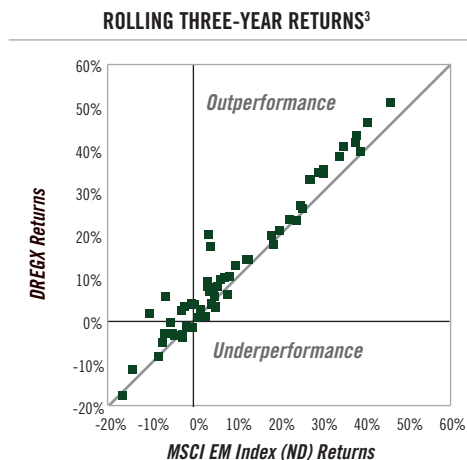
Sources: FactSet Research Systems Inc. and Driehaus Capital Management. Per FactSet Research Systems Inc., the Attribution Report provides an in-depth analysis of relative performance. With this report one can research whether a portfolio outperformed a benchmark, and how each group contributed to performance. 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. <sup>1</sup>A definition of this index can be found on page 3. <sup>2</sup>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.

\*Unassigned refers to securities not recognized by Factset.

PORTFOLIO CHARACTERISTICS		
	DREGX	Benchmark
Number of Holdings	96	846
Weighted Avg. Market Cap (M)	\$105,894	\$102,156
Median Market Cap (M)	\$16,083	\$6,861
Est. 3-5 Year EPS Growth	17.0%	16.6%
Active Share (3-year avg.) <sup>1</sup>	79.22	n/a
<b>Market Cap Breakout</b>		
< \$5 billion	8.7	9.7
\$5 - \$15 billion	20.7	25.4
> \$15 billion	70.6	64.9
<b>3-year period</b>		
Annualized Alpha	3.00	n/a
Sharpe Ratio	0.72	0.51
Information Ratio	0.24	n/a
Beta	0.77	1.00
Standard Deviation	13.35	16.46
Tracking error	5.41	0.00
R-squared	0.91	1.00

SECTOR WEIGHTS (%)		
	DREGX	Benchmark
Consumer Discretionary	12.3	9.5
Consumer Staples	2.3	6.5
Energy	4.5	7.2
Financials	28.8	24.0
Health Care	3.1	2.8
Industrials	6.0	5.2
Information Technology	27.2	27.8
Materials	8.2	7.3
Real Estate	0.0	0.0
Telecomm. Services	2.4	4.6
Utilities	0.9	2.4
Cash	4.4	0.0

COUNTRY WEIGHTS (%)		
	DREGX	Benchmark
Argentina	1.0	0.0
Brazil	9.5	7.5
China/Hong Kong	24.8	29.2
Egypt	0.5	0.1
Greece	0.5	0.3
Hungary	0.9	0.3
India	11.3	8.1
Indonesia	1.9	2.0
Malaysia	1.0	2.5
Mexico	2.6	2.9
Peru	1.5	0.3
Philippines	0.8	1.0
Russia	6.8	3.6
Saudi Arabia	1.5	0.0
South Africa	3.6	6.7
South Korea	8.3	15.1
Taiwan	10.8	11.7
Thailand	2.1	2.4
Turkey	0.8	1.0
UAE	0.5	0.6
Other <sup>2</sup>	5.1	0.9
Cash	4.4	0.0

**TOP 5 HOLDINGS<sup>4</sup> (as of 2/28/18)**

Company	% of Fund
Tencent Holdings Ltd.	5.4
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	4.1
Sberbank Russia OJSC Sponsored ADR	3.4
Samsung Electronics Co., Ltd.	3.2
Alibaba Group Holding Ltd. Sponsored ADR	3.0

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

Data as of 3/31/18. Benchmark: MSCI Emerging Markets Index (ND)

<sup>1</sup>Data is calculated monthly. <sup>2</sup>Represents companies domiciled in developed countries that have significant emerging markets exposures. <sup>3</sup>Net of fee returns. MSCI Emerging Markets Index. Returns are calculated from monthly returns and shown for every quarter interval since the inception of the index (January 1999). The inception of the fund predates the inception of the index. Data as of September 30, 2017.

<sup>4</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.