



# DRIEHAUS EMERGING MARKETS SMALL CAP GROWTH FUND

January 2014 Summary

## Key Features

The fund seeks:

- Superior risk-adjusted returns
- Lower down-market capture ratios
- Lower volatility (relative to indices) objective

## Inception Date

December 1, 2008\*

## Fund Assets Under Management

\$208 million

## Firm Assets Under Management

\$12.1 billion

## Investment Universe

Emerging markets small cap equity and hedging strategies

## Investment Style

Hedged equity, growth

## Portfolio Managers

Chad Cleaver, CFA  
Lead Portfolio Manager  
11 years experience

Howard Schwab

Co-Portfolio Manager  
13 years experience

*\*The Fund's predecessor limited partnership has an inception date of 12/1/2008.*



## Market Overview

The new year brought a renewed bout of market turmoil to emerging markets with macro stress falling broadly into two camps. First, there have been ongoing concerns about deleveraging within China, marked by the highly publicized near failure of an ill-named trust product, "Credit Equals Gold #1", underscoring the dilemma between the need for growth and the desire to rein in off-balance sheet activity in the banking system. A lower growth outlook in China serves to undermine commodity-linked economies, such as Brazil, Russia and Indonesia.

Second, the continued adjustment of countries running high current account and fiscal deficits exerted pressure on their currencies and points to a negative outlook for domestic demand in countries such as Turkey and South Africa. These two countries, along with Indonesia, India, and Brazil, comprise a group that has come to be known as the "fragile five". The latter three nations have shown some nascent signs of improvement but remain in a difficult situation.

## Performance and Positioning

The Driehaus Emerging Markets Small Cap Growth Fund closed January up 1.3%, outperforming the MSCI EM Small Cap Index return of -2.7% and the MSCI EM Index return of -6.6%.<sup>1</sup> Stock selection was the main driver of outperformance, with China contributing positively in areas such as environmental, e-commerce, and telecom. Indian pharmaceuticals were another positive contributor, as was the fund's allocation to Saudi Arabia. The fund's hedging strategies also contributed to the outperformance in January. The main detractors from performance were company-specific in nature.

While the fund began the year with a low hedge position, we quickly increased the hedge as we grew more concerned with the issues mentioned previously. Our research suggested rising stress in China and higher beta areas, which also displayed low levels of volatility. Ahead of the market correction during the last two weeks of January, we increased the fund's hedge to its maximum position size of 40%.

### <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

We generally look to reduce the hedge when volatility levels spike and fear sets in on the part of market participants. Accordingly, we exit January with a 20% hedge position, effectively cutting the hedge in half during the last week of the month. The current options positions are primarily composed of a market hedge, a call option on the U.S. dollar, and put options on the Mexico ETF that is designed to mitigate the fund's overweight to Mexico.

We believe that the tightening actions taken by EM central banks will be difficult to bear for countries already facing fragile economic conditions and slowing growth. The disinflationary nature of EM central bank tightening and current conditions in Europe increases the likelihood of a stronger U.S. dollar, in our view.

### **Outlook**

Going forward, we expect a continuation of the choppy market conditions that have characterized emerging markets during the past year. The magnitude of the outflows from the asset class over the last 14 weeks has not been seen since 2002, and with the popular press coining terms like "fragile five" and proclaiming the onset of a new crisis, one can't help but feel that sentiment is getting too stretched to the downside. Accordingly, we have reduced our hedge position and are adding back to positions in recovery stocks that are 30-40% off their recent highs, in U.S. dollar terms. Nonetheless, we will remain nimble and flexible amid changing market conditions.



**Chad Cleaver**

*Lead Portfolio Manager,  
Driehaus Emerging Markets Small Cap Growth Strategy*



**Howard Schwab**

*Co-Portfolio Manager,  
Driehaus Emerging Markets Small Cap Growth Strategy*

# DRIEHAUS EMERGING MARKETS SMALL CAP GROWTH FUND PERFORMANCE RECAP

## MONTH-END PERFORMANCE AS OF 1/31/14

Fund/Index	Average Annual Total Return						
	Jan	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception <sup>1</sup>
DrieHaus Emerging Markets Small Cap Growth Fund <sup>2</sup>	1.36%	1.36%	8.95%	8.63%	21.99%	n/a	20.80%
MSCI Emerging Markets Small Cap Index <sup>3</sup>	-2.69%	-2.69%	-4.00%	-3.01%	20.80%	n/a	21.36%
MSCI Emerging Markets Index <sup>4</sup>	-6.47%	-6.47%	-9.85%	-3.03%	15.13%	n/a	14.79%

## CALENDAR QUARTER-END PERFORMANCE AS OF 12/31/13

Fund/Index	Average Annual Total Return						
	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception <sup>1</sup>
DrieHaus Emerging Markets Small Cap Growth Fund <sup>2</sup>	6.39%	12.11%	12.11%	7.37%	20.23%	n/a	20.86%
MSCI Emerging Markets Small Cap Index <sup>3</sup>	1.28%	1.35%	1.35%	-3.18%	19.91%	n/a	22.41%
MSCI Emerging Markets Index <sup>4</sup>	1.86%	-2.27%	-2.27%	-1.74%	15.15%	n/a	16.58%

### Annual Fund Operating Expenses<sup>5</sup>

Management Fee	1.50%
Other Expenses	0.65%
Acquired Fund Fees and Expenses	0.01%
<b>Total Annual Fund Operating Expenses</b>	<b>2.16%</b>
Expense Reimbursement	(0.15)%
<b>Total Annual Fund Operating Expenses After Expense Reimbursement</b>	<b>2.01%</b>

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<sup>1</sup>Inception Date: 12/1/2008. "Since Inception" is calculated to include performance from the Fund's predecessor limited partnership. <sup>2</sup>The average annual total returns of the DrieHaus Emerging Markets Small Cap Growth Fund include the performance of the Fund's predecessor limited partnership, which is calculated from December 1, 2008 before the Fund commenced operations and succeeded to the assets of its predecessor on August 22, 2011. The predecessor limited partnership was not registered under the Investment Company Act of 1940, as amended ("1940 Act") and thus was not subject to certain investment and operational restrictions that are imposed by the 1940 Act. If the predecessor had been registered under the 1940 Act, its performance may have been adversely affected. The Fund's predecessor performance has been restated to reflect estimated expenses of the Fund. After-tax performance returns are not included for the predecessor limited partnership. The predecessor was not a regulated investment company and therefore did not distribute current or accumulated earnings. <sup>3</sup>The Morgan Stanley Capital International Emerging Markets Small Cap Index (MSCI Emerging Markets Small Cap Index) is a market capitalization-weighted index designed to measure equity market performance of small cap stocks in 22 global emerging markets. <sup>4</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 25 global emerging markets. <sup>5</sup>Represents the Annual Fund Operating Expenses for the year ended December 31, 2012, as disclosed in the current prospectus dated April 30, 2013. 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. DrieHaus Capital Management LLC (the "Adviser") has entered into a written agreement to cap the Fund's ordinary annual operating expenses, excluding dividends and interest on short sales, at 2.00% of average daily net assets until the earlier of the termination of the investment advisory agreement or August 21, 2014. Acquired fund fees and expenses are not considered to be ordinary annual operating expenses and are not covered by the expense cap. 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 August 22, 2011, 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.

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 contains 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.**

Sources: Morgan Stanley Capital International Inc., eVestment Alliance, LLC, SS&C Inc.

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# DRIEHAUS EMERGING MARKETS SMALL CAP GROWTH FUND

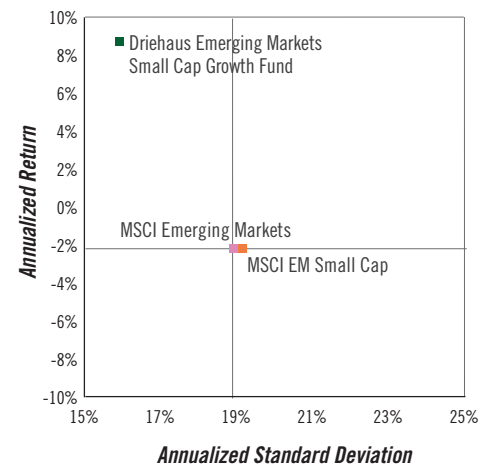
## PORTFOLIO CHARACTERISTICS

PORTFOLIO SNAPSHOT		
		ex-cash
AUM	\$208,331,134	
Cash/AUM	14.76%	
Long Exposure	\$214,164,406	\$183,414,730
Short Exposure	(\$41,457,896)	(\$41,457,896)
Net Exposure	\$172,706,510	\$141,956,835
Net Exposure/AUM	82.9%	68.1%
Gross Exposure	\$255,622,301	\$224,872,626
Gross Exposure/AUM	1.23x	1.08x

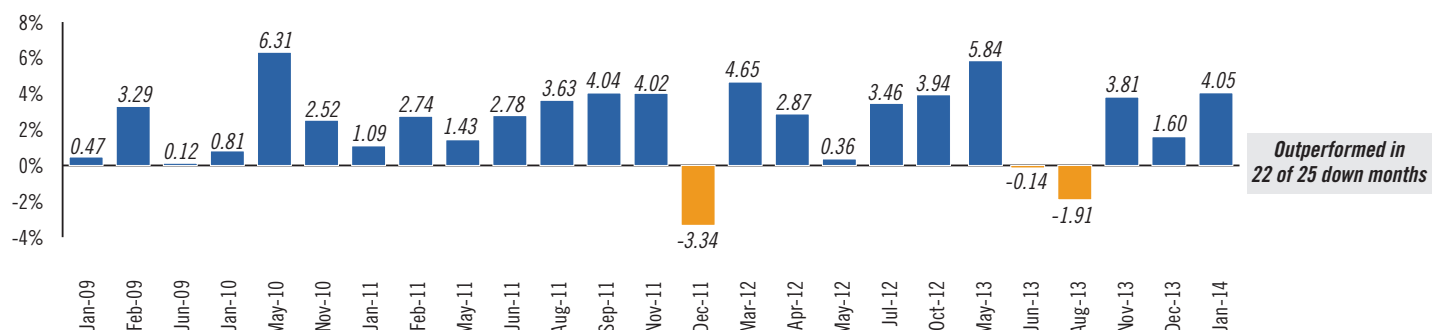
PORTFOLIO CHARACTERISTICS		
	Fund	Benchmark
Number of Holdings	94	1,812
Active Share (3-year avg.) <sup>1</sup>	96.36	n/a
Est. 3-5 Year EPS Growth	22.7%	17.5%
Weighted Avg. Market Cap (\$M)	1,944	940
Median Market Cap (\$M)	1,516	450
Mkt. Cap Breakout	< \$5 billion	96.4%
	> \$5 billion	3.6%

### RISK & RETURN CHARACTERISTICS (Trailing 3-years)

	Fund	vs. MSCI EM Small Cap	Fund	vs. MSCI Emerging Markets
Annualized Return	8.63	-3.01	8.63	-3.03
Standard Deviation	16.10	19.88	16.10	19.60
Upside Capture	81.83	100.00	81.73	100.00
Downside Capture	52.39	100.00	49.72	100.00
Beta	0.73	1.00	0.69	1.00
Alpha	10.90	n/a	10.94	n/a
Sharpe Ratio	0.53	-0.15	0.53	-0.16
R-Square	0.80	1.00	0.71	1.00
Tracking Error	8.96	0.00	10.65	0.00
Information Ratio	1.30	n/a	1.10	n/a
# Negative Monthly Returns	10	18	10	21
# Positive Monthly Returns	26	18	26	15



### FUND'S EXCESS RETURNS<sup>2</sup> (%pts) vs. MSCI EM Small Cap Index — Months with Negative Index Returns (Since Inception on 12/1/08)



Source: FactSet Research Systems LLC and Driehaus Capital Management. Data calculated with monthly returns.

Data as of 1/31/2014.

<sup>1</sup>Data is calculated monthly.

<sup>2</sup>Net of fee performance. MSCI Emerging Markets Small Cap Index. Data as of January 31, 2014. Performance for the Driehaus Emerging Markets Small Cap Growth Fund (DRESX) is used. The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling (800) 560-6111 or visiting our website at [www.driehaus.com](http://www.driehaus.com). Fund returns shown include the reinvestment of all dividends and capital gains. Contractual fee waivers are currently in effect. Without such fee waivers, performance numbers would be reduced. The total annual fund operating expense for the year ended 12/31/12 for DRESX is 2.01% as disclosed in the 4/30/13 prospectus. Please see notes at end of presentation for more information on indices used.

A definition of key terms can be found on page 6.

**COUNTRY EXPOSURES<sup>1</sup>**

	Equity Weights	Long Hedges <sup>2</sup>	Short Hedges <sup>2</sup>	Net Exposure	Benchmark Weight	Net Exposure Over-/Underweight
Brazil	1.94			1.94	5.45	-3.52
Cambodia	0.82			0.82	--	0.82
Chile	--			0.00	1.21	-1.21
China/Hong Kong	21.26			21.26	20.50	0.76
Colombia	--			0.00	0.03	-0.03
Czech Republic	--			0.00	0.05	-0.05
Egypt	0.39			0.39	0.99	-0.60
Greece	0.96			0.96	0.82	0.15
Hungary	--			0.00	0.12	-0.12
India	6.68			6.68	5.03	1.65
Indonesia	2.58			2.58	3.47	-0.89
Kazakhstan	0.89			0.89	--	0.89
Kenya	1.86			1.86	--	1.86
Malaysia	2.10			2.10	4.93	-2.83
Mexico	2.74		-3.60	-0.86	2.12	-2.98
Nigeria	1.80			1.80	--	1.80
Pakistan	0.76			0.76	--	0.76
Panama	--			0.00	0.13	-0.13
Peru	--			0.00	0.14	-0.14
Philippines	2.51			2.51	1.17	1.33
Poland	--			0.00	1.80	-1.80
Qatar	0.69			0.69	--	0.69
Russia	--			0.00	0.93	-0.93
Saudi Arabia	7.73			7.73	--	7.73
South Africa	--			0.00	6.97	-6.97
South Korea	6.11			6.11	17.13	-11.02
Sri Lanka	2.50			2.50	--	2.50
Taiwan	4.07			4.07	20.76	-16.69
Thailand	2.33			2.33	3.86	-1.53
Turkey	1.20			1.20	1.78	-0.57
United Arab Emirates	0.58			0.58	--	0.58
Other Countries <sup>2</sup>	12.14			12.14	0.61	11.53
Other - Sector Hedges				0.00		0.00
Other - Market Hedges		3.40	-16.30	-12.90		-12.90
<b>TOTAL EXPOSURE (ex-cash)</b>	<b>84.64</b>	<b>3.40</b>	<b>-19.90</b>	<b>68.14</b>		

**SECTOR EXPOSURES<sup>1</sup>**

	Equity Weights	Long Hedges <sup>3</sup>	Short Hedges <sup>3</sup>	Net Exposure	Benchmark Weight	Net Exposure Over-/Underweight
Consumer Discretionary	12.56			12.56	17.02	-4.46
Consumer Staples	4.45			4.45	6.82	-2.37
Energy	13.73			13.73	2.48	11.26
Financials	12.23			12.23	18.48	-6.25
Health Care	10.11			10.11	6.59	3.53
Industrials	13.57			13.57	15.56	-1.98
Information Technology	10.22			10.22	17.19	-6.97
Materials	3.34			3.34	11.84	-8.51
Telecommunication Services	1.39			1.39	1.21	0.19
Utilities	3.03			3.03	2.81	0.22
Other - Market Hedges		3.40	-19.90	-16.50	--	-16.50
<b>TOTAL EXPOSURE (ex-cash)</b>	<b>84.64</b>	<b>3.40</b>	<b>-19.90</b>	<b>68.14</b>		

<sup>1</sup>Data is on a trade date basis and has not been reconciled. Exposures reflect hedged positions.

<sup>2</sup>Other represents companies with significant emerging markets related exposures that are not domiciled within an emerging market.

<sup>3</sup>Delta-adjusted and underlying exposures include ETFs that may be domiciled in the U.S. but provide specific sector, country or market related exposure.

**TOP 5 HOLDINGS (as of 12/31/13)**

Company	Country	Description	% of Fund
Hilong Holding Ltd.	China	An integrated oilfield equipment and service provider	2.2
Afren Plc	United Kingdom <sup>1</sup>	Oil and gas exploration and production company	2.2
Home Inns & Hotels Management, Inc.	China	An economy hotel chain in the People's Republic of China	1.9
Africa Oil Corp.	Canada <sup>1</sup>	Oil and gas exploration and development company	1.7
Aurobindo Pharma Ltd	India	A global pharmaceutical company	1.6

Sources: FactSet Research Systems Inc. and Driehaus Capital Management LLC. 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>Represents company(ies) domiciled in developed market(s) that have significant emerging markets exposures.

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**TERMS:** **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. **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. **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. **Sharpe ratio** is calculated by finding the portfolio's excess return and then dividing by the portfolio's standard deviation. **Downside/Upward capture** is a measure of performance in up markets (upside) and down markets (downside) relative to the Index. **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. **Tracking error** measures 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. **Information ratio** is a measure of the value added per unit of active risk by a manager over the index. A positive ratio indicates "efficient" use of risk by the manager. **R-Squared** is a statistical measure that represents the percentage of a fund's movements that can be explained by movements in a benchmark index.