



DRIEHAUS EMERGING MARKETS SMALL CAP GROWTH FUND

May 2014 Summary

Ticker: DRESX

Fund Objective:

Provide risk-adjusted returns and down-market capture ratios superior to the MSCI EM Small Cap Index over full market cycles

Overview:

- An earnings growth momentum approach to EM small cap equities
- The fund seeks a lower risk profile through hedging
- Same portfolio management team since the fund's inception
- A long-bias fund with a net exposure generally 60-90%, ex-cash

Investment universe:

Emerging markets small cap equity and derivatives

Fund AUM: \$320 million

Inception date: December 1, 2008*

Ticker: DRESX

Portfolio managers:

Chad Cleaver, CFA
Lead Portfolio Manager
11 years experience

Howard Schwab
Co-Portfolio Manager
13 years experience

Trent DeBruin, CFA
Assistant Portfolio Manager
7 years experience

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



Hot Money, Hot Pot, Hot Mess

As a portfolio manager in emerging markets, every so often I come across a news story that makes me shake my head and wonder if it is real. I had that experience last night as I sat down to write this letter. According to the Fawan Evening News, "A local hot pot restaurant in Beijing is now distributing high yield wealth management products via its P2P subsidiary; but waiters have no idea what they are selling."

The reason given for this strategic move is falling revenue from the core business, which created the need to diversify into other sectors. Naturally, the distribution of wealth management products came to mind! We are later reassured by a representative from the hot pot restaurant that while the wealth management products are distributed at the restaurants, they are actually handled by a subsidiary finance company that has all of the requisite licenses and credentials. What could possibly go wrong?

Our view on China in recent months has been that as the authorities attempt to rein in the type of activity described above in an economy that has grown more credit intensive, it will become more challenging to grow the economy at rates observed in recent years.

The flipside is that the consensus view on China has grown deeply negative. In a year that has been marked by one pain trade after another, we ponder what could serve as a catalyst for a China pain trade. In short, the upside case for China in the near term is that the government would be forced to stimulate the economy as it walks the tightrope between growth and reform. We do not expect a major stimulus package, but a much more nuanced form of stimulus. If the economy does not respond to targeted stimulus, then the authorities will face some tough decisions in the coming months. For our part, we have modestly added exposure in cyclical areas of China that we would expect to perform well in a backdrop of moderately improving economic data. However, with volatility at extremely low levels and risks continuing to mount in the property sector, we are hedging this exposure.

Crazy Like a Fox

I would like to thank our readers for the positive feedback on last month's commentary, "[What Does the Fox Say?](#)". The piece was fun to write, and sparked some healthy internal discussions and interesting observations. One observation I found particularly thought-provoking is worth sharing. As the recent Ira Sohn Conference unfolded, I was eager to follow the stock picks and prognostications of the participants. After all, the presenters are superstar portfolio managers who often have insightful things to say. Moreover, they are mostly media-shy, so Ira Sohn offers a rare glimpse into their thought processes.

As I followed the conference, I came across a media article imploring investors not to follow the advice of the participants. On the surface, the article had a point. Citing past performance of the picks, investors would have been much better off buying an index fund than investing in a portfolio of the best ideas pitched at the conference. But there is another point here. The fund managers at Ira Sohn are no dummies. They have among the best track records out there, handily beating the index by taking very active, dynamic approaches to managing their portfolios. They are foxes. They recognize when they are wrong, and they adjust accordingly. Their thought process is dynamic and flexible. They are shunned by the media for not being dogmatic, but as Tetlock and Silver have shown, dogmatism is the single biggest factor that leads to failed predictions.

Portfolio Positioning and Performance

The Driehaus Emerging Markets Small Cap Growth Fund advanced 1.04% for May, compared to the MSCI Emerging Markets Small Cap Index gain of 3.01% and the MSCI Emerging Markets Index return of 3.51%.¹

The low volatility, low interest rate environment continued throughout May, creating a backdrop for strong performance from the likes of Turkey, which saw its central bank cut interest rates during the month, arguably delaying a period of much-needed adjustment.

Also notable during May was the rally of the Indian equity market, behind the landslide victory for Narendra Modi, who was elected prime minister by an Indian electorate with high expectations for reform.

While we were able to generate positive absolute performance during the month, the persistent low volatility dampened our relative performance versus the MSCI EM and EM Small Cap indices. The fund maintained a hedge near the upper end of its 10-40% band throughout much of the month, seeking to hedge against two principal risks. First, the risk that high deficit countries that have rallied significantly from March would start to roll back over as the macro backdrop continues to worsen in places like South Africa. Second, the risk that cyclical sectors, including energy and basic materials, underperform in an environment where major commodities are well-supplied and have muted demand outlooks.

Outlook

We maintain our cautious stance moving into June, albeit acknowledging the potential for a slight pickup in the economic data in China, as outlined above. We do not believe we are out of the woods yet regarding the risks mentioned in recent commentaries. With volatility conditions remaining near historical lows across many asset classes, we anticipate a continued high level of hedging within the fund in the near term.



Chad Cleaver

Lead Portfolio Manager, Driehaus Emerging Markets Small Cap Growth Strategy

Driehaus Alternative Strategies

Please visit our website or click a fund below to download a monthly commentary:

- **Driehaus Active Income Fund (LCMAX)**
- **Driehaus Select Credit Fund (DRSLX)**
- **Driehaus Event Driven Fund (DEVDX)**
- **Driehaus Emerging Markets Small Cap Growth Fund (DRESX)**

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

DRIEHAUS EMERGING MARKETS SMALL CAP GROWTH FUND PERFORMANCE RECAP

MONTH-END PERFORMANCE AS OF 5/31/14

Fund/Index	MTD	YTD	1 Year	Average Annual Total Return			
				3 Year	5 Year	10 Year	Since Inception ¹
DrieHaus Emerging Markets Small Cap Growth Fund ²	1.04%	8.49%	2.90%	8.43%	15.64%	n/a	20.92%
MSCI Emerging Markets Small Cap Index ³	3.01%	7.15%	2.66%	-0.44%	11.33%	n/a	22.09%
MSCI Emerging Markets Index ⁴	3.51%	3.52%	4.61%	-1.44%	8.70%	n/a	15.97%

CALENDAR QUARTER-END PERFORMANCE AS OF 3/31/14

Fund/Index	QTR	YTD	1 Year	Average Annual Total Return			
				3 Year	5 Year	10 Year	Since Inception ¹
DrieHaus Emerging Markets Small Cap Growth Fund ²	6.73%	6.73%	10.72%	8.92%	22.50%	n/a	21.27%
MSCI Emerging Markets Small Cap Index ³	3.59%	3.59%	0.71%	-1.15%	20.04%	n/a	22.08%
MSCI Emerging Markets Index ⁴	-0.37%	-0.37%	-1.07%	-2.54%	14.83%	n/a	15.68%

Annual Fund Operating Expenses⁵

Management Fee	1.50%
Other Expenses	0.35%
Total Annual Fund Operating Expenses	1.85%

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¹Inception Date: 12/1/2008. "Since Inception" is calculated to include performance from the Fund's predecessor limited partnership. ²The 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. ³The 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. ⁴The 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. ⁵Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated April 30, 2014. 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.

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. 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

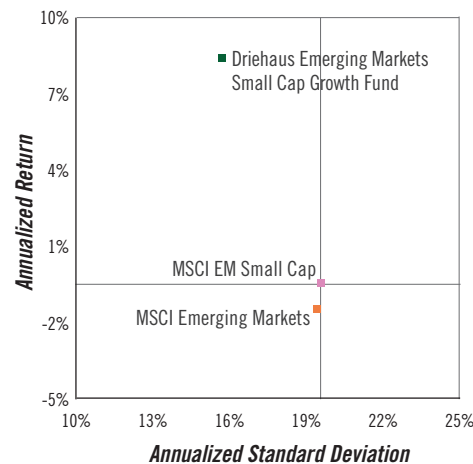
PORTFOLIO CHARACTERISTICS

PORTFOLIO SNAPSHOT		
		ex-cash
AUM	\$320,355,298	
Cash/AUM	10.69%	
Long Exposure	\$318,413,947	\$284,156,881
Short Exposure	(\$138,773,176)	(\$138,773,176)
Net Exposure	\$179,640,771	\$145,383,705
Net Exposure/AUM	56.08%	45.38%
Gross Exposure	\$457,187,123	\$422,930,057
Gross Exposure/AUM	1.43x	1.32x

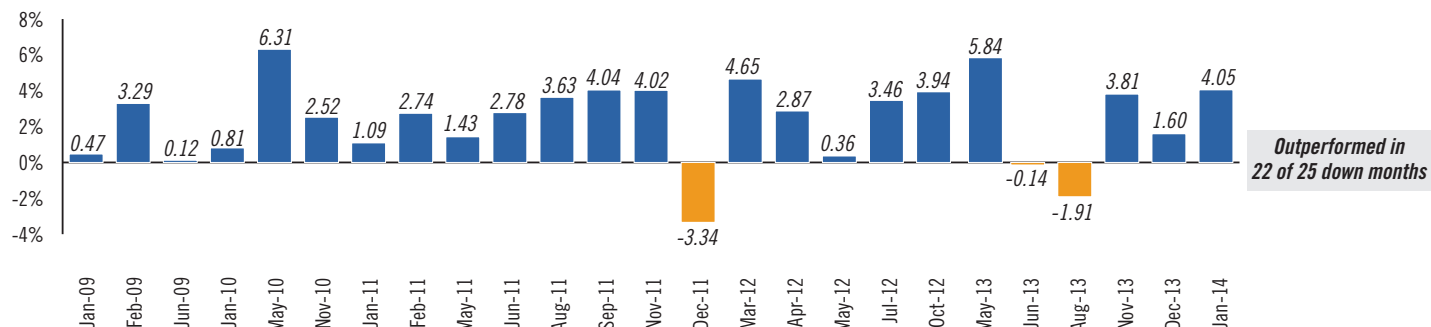
PORTFOLIO CHARACTERISTICS		
	Fund	Benchmark
Number of Holdings	116	1,796
Active Share (3-year avg.) ¹	96.12	n/a
Est. 3-5 Year EPS Growth	28.5%	18.4%
Weighted Avg. Market Cap (\$M)	\$2,235	\$1,033
Median Market Cap (\$M)	\$1,849	\$512
Mkt. Cap Breakout	< \$5 billion	95.3%
	> \$5 billion	4.7%

RISK & RETURN CHARACTERISTICS (Trailing 3-years)

	Fund	vs. MSCI EM Small Cap	Fund	vs. MSCI Emerging Markets
Annualized Return	8.43	-0.44	8.43	-1.44
Standard Deviation	15.72	19.58	15.72	19.44
Upside Capture	75.92	100.00	74.66	100.00
Downside Capture	53.11	100.00	48.29	100.00
Beta	0.71	1.00	0.67	1.00
Alpha	8.62	n/a	9.46	n/a
Sharpe Ratio	0.53	-0.03	0.53	-0.08
R-Square	0.79	1.00	0.68	1.00
Tracking Error	9.11	0.00	10.94	0.00
Information Ratio	0.97	n/a	0.90	n/a
# Negative Monthly Returns	8	16	8	19
# Positive Monthly Returns	28	20	28	17



FUND'S EXCESS RETURNS² (%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 5/31/2014.

¹Data is calculated monthly.

²This chart depicts Driehaus Emerging Markets Small Cap Growth Fund's (DRESX) outperformance (or underperformance) versus the MSCI Emerging Markets Small Cap Index in all instances where the MSCI Emerging Markets Small Cap Index had a negative monthly return since DRESX's inception on 12/1/2008. Net of fee performance is used. MSCI Emerging Markets Small Cap Index. Data as of May 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. 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 DRESX is 1.85% as disclosed in the 4/30/14 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 EXPOSURES¹

	Equity Weights	Long Hedges ³	Short Hedges ³	Net Exposure	Benchmark Weight	Net Exposure Over-/Underweight
Brazil	9.55%		-4.18%	5.37%	5.29%	0.08%
Cambodia	0.87%			0.87%	--	0.87%
Chile	--			--	1.21%	-1.21%
China/Hong Kong	13.87%		-4.54%	9.34%	17.82%	-8.48%
Colombia	--			--	0.03%	-0.03%
Czech Republic	--			--	0.04%	-0.04%
Egypt	--			--	1.06%	-1.06%
Greece	--			--	0.83%	-0.83%
Hungary	--			--	0.12%	-0.12%
India	9.98%			9.98%	6.69%	3.30%
Indonesia	3.54%			3.54%	3.73%	-0.19%
Kenya	0.80%			0.80%	--	0.80%
Malaysia	2.99%			2.99%	4.87%	-1.88%
Mexico	1.82%			1.82%	2.11%	-0.29%
Nigeria	1.11%			1.11%	--	1.11%
Pakistan	2.38%			2.38%	--	2.38%
Panama	--			--	0.12%	-0.12%
Peru	--			--	0.14%	-0.14%
Philippines	3.26%			3.26%	1.26%	2.00%
Poland	--			--	1.64%	-1.64%
Qatar	1.65%			1.65%	--	1.65%
Russia	--			--	0.87%	-0.87%
Saudi Arabia	5.54%			5.54%	--	5.54%
South Africa	3.88%			3.88%	7.35%	-3.48%
South Korea	5.46%			5.46%	17.30%	-11.84%
Sri Lanka	1.64%			1.64%	--	1.64%
Taiwan	6.47%			6.47%	20.68%	-14.21%
Thailand	1.94%			1.94%	4.21%	-2.27%
Turkey	3.56%			3.56%	2.02%	1.54%
Vietnam	0.49%			0.49%	--	0.49%
Other Countries ²	7.16%			7.16%	0.62%	6.54%
EM Index Equity Hedges			-9.87%	-9.87%		-9.87%
U.S. Index Equity Hedges		0.75%	-10.67%	-9.91%		-9.91%
Other - Sector Hedges			-14.07%	-14.07%		-14.07%
Total Exposure (ex-cash)	87.95%	0.75%	-43.32%	45.38%	100.00%	-54.62%

SECTOR EXPOSURES¹

	Equity Weights	Long Hedges ³	Short Hedges ³	Net Exposure	Benchmark Weight	Net Exposure Over-/Underweight
Consumer Discretionary	17.89%			17.89%	16.47%	1.42%
Consumer Staples	6.56%			6.56%	6.70%	-0.14%
Energy	7.32%		-9.95%	-2.62%	2.35%	-4.98%
Financials	21.06%			21.06%	19.35%	1.72%
Health Care	5.18%			5.18%	6.16%	-0.98%
Industrials	8.52%			8.52%	15.68%	-7.16%
Information Technology	12.45%			12.45%	17.45%	-5.00%
Materials	5.58%		-4.12%	5.58%	12.05%	-6.47%
Telecom. Services	0.80%			0.80%	1.00%	-0.21%
Utilities	2.58%			2.58%	2.78%	-0.20%
Other - Market Hedges	--	0.75%	-29.25%	-28.50%	--	-28.50%
Total Exposure (ex-cash)	87.95%	0.75%	-43.32%	45.38%	100.00%	-54.62%

PORTFOLIO WEIGHTS (Net Exposure)

Frontier Market: 14.48%

Emerging Market: 57.61%

Other Countries: 7.16%

¹Data is on a trade date basis and has not been reconciled. Exposures reflect hedged positions. ²Other represents companies with significant emerging markets related exposures that are not domiciled within an emerging market. ³Delta-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 4/30/14)

Company	Country	Description	% of Fund
SKS Microfinance Limited	Financials	A non-deposit accepting non-banking financial company	1.5
GT Capital Holdings, Inc.	Financials	Engaged in businesses across banking, real estate development, power generation, automotive, and life insurance	1.5
Megaworld Corp.	Financials	Operates in the real estate and hotel businesses as well as provides marketing services	1.5
Kaveri Seed Co. Ltd.	Consumer Staples	Produces, processes, and markets hybrid seeds for crops that include corn, sunflower, cotton, paddy, and grain	1.4
PT Matahari Department Store Tbk Class A	Consumer Discretionary	Operates as a multi-format retailer	1.4

*Holdings subject to change.

Notes

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. Please read the prospectus carefully before investing.**

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/Upside 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 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. **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.