

# Driehaus International Small Cap Growth Fund

## KEY FEATURES

- Developed and emerging markets small cap exposure
- Benchmark aware, not benchmark constrained
- Opportunistic investment approach
- High active share

## INCEPTION DATE

September 17, 2007

*The fund's predecessor limited partnership has an inception date of August 1, 2002.*

## FUND ASSETS UNDER MANAGEMENT

\$263.9 million

## FIRM ASSETS UNDER MANAGEMENT

\$8.3 billion

## INVESTMENT UNIVERSE

Developed and emerging markets  
small cap equity

## INVESTMENT STYLE

Growth equity

## PORTFOLIO MANAGERS



David Mouser  
Lead Portfolio Manager  
18 years of investment experience



Daniel Burr, CFA  
Portfolio Manager  
15 years of investment experience



Ryan Carpenter  
Assistant Portfolio Manager  
11 years of investment experience

## Market Overview

Global equity markets performed well during the first quarter as the reflationary trade continued. This trade gained momentum following the US presidential election, as hopes rose for some combination of tax cuts, deregulation and infrastructure spending. However, the optimism towards the pro-business Trump agenda and its anticipated positive impact on the economy and earnings continued to push equities higher, despite the apparent chaos and lack of actual reform and legislation in the administration's first 100 days. The effort to repeal and replace Obamacare failed as the House of Representatives splintered into several camps and the American Health Care Act bill couldn't even muster enough support for an actual vote. This has reduced the market's confidence that tax reform, infrastructure, deregulation and other pro-growth initiatives will be passed in the near-term. The resiliency of the market and the lack of volatility seen in the quarter was striking given high valuations, lack of political progress, geopolitical tensions in North Korea and Syria, Federal Reserve rate hikes, slower GDP and earnings growth and a flattening of the yield curve.

With all the headwinds, the market's strength in the quarter was likely due to investors looking towards a wide number of positive factors. The economic outlook in the US and around the globe remains

solid. Growth should improve from the slower March quarter as the year goes forward. The Citi Economic Surprise Index hit its highest level in over three years. The US Institute of Supply Management surveys for the manufacturing and services sectors remain strong. Purchasing Manager's Index readings improved robustly in Europe and other regions. Inflation is rising but remains historically low. The credit markets and spreads remain healthy.

## Performance review

For the first quarter, the Driehaus International Small Cap Growth Fund returned 8.55%, net of fees, and the MSCI ACWI ex-US Small Cap Growth Index returned 9.01%.<sup>1</sup> Contributions to performance came from the industrials and consumer discretionary sectors, as well as Switzerland and Japan. Detractions from performance came from materials and financials, as well as Germany and India.

## Outlook and Positioning

Portfolio positioning did not change significantly during the quarter, and industrials and Europe remain the biggest overweights by sector and country, respectively.

At the sector level, we decreased consumer staples exposure and are now slightly underweight, and we added to consumer discretionary and health care. Few changes were made to the exposure to materials

### <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*

and real estate holdings, and these remain underweights. Consumer staples and real estate in particular may be at risk from any further interest rate rises, and valuations are not particularly compelling across either universe.

At the country level, we moved Japan to a small underweight, given that we see a potentially stronger yen as a threat to Japanese earnings; however, valuations remain reasonable enough to maintain a near-benchmark waiting.

We have written about the European overweight at length in previous commentaries, and our view remains unchanged: the current levels of the eurozone Purchasing Managers Index (PMI) remain consistent with strong gross domestic product (GDP) and earnings per share growth. European companies have

relatively high degrees of operating leverage and tend to be more exposed to global trade than their developed market peers. This explains why Europe typically outperforms its developed market peers when activity picks up. Earnings revisions have improved across the region, which is not surprising given that evidence suggests we may now be in a global synchronized cycle with rising manufacturing PMIs and other leading indicators in Europe,

Asia and the United Kingdom. In addition to the benefits of operating leverage, valuations remain quite reasonable. The obvious risk is that rising populist forces in many countries may affect the long-term viability of the European Union.

The fund did increase exposure during the quarter to emerging markets, which appear to be less vulnerable than in past periods of broad US dollar strength. Those markets also would benefit disproportionately from a global activity pickup.

Encouragingly, the first quarter saw less factor volatility than during most of 2016. We are optimistic that if this backdrop remains,

bottom-up stock picking will play an increasingly important role as the market shifts focus toward companies with strong competitive positioning,

durable organic growth and differentiated products.

“European companies have relatively high degrees of operating leverage and tend to be more exposed to global trade than their developed market peers.”

*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 strategy 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, 2017 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, 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.*

## PERFORMANCE as of 3/31/17

	Annualized Total Return						
	QTR	YTD	1 Year <sup>1</sup>	3 Year <sup>1</sup>	5 Year <sup>1</sup>	10 Year <sup>1</sup>	Inception 8/1/02 <sup>1</sup>
<b>Driehaus International Small Cap Growth Fund</b>	<b>8.47%</b>	<b>8.47%</b>	<b>4.84%</b>	<b>2.38%</b>	<b>7.88%</b>	<b>5.63%</b>	<b>14.90%</b>
MSCI AC World ex USA Small Cap Growth Index (ND) <sup>2</sup>	9.01%	9.01%	8.94%	2.63%	6.49%	2.68%	9.58%
MSCI AC World ex USA Small Cap Growth Index (GD) <sup>2</sup>	9.07%	9.07%	9.22%	2.88%	6.76%	2.94%	9.87%

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

Management fee:	1.50%	Other expenses:	0.21%	Total annual fund operating expenses:	1.71%
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## SECTOR PERFORMANCE ATTRIBUTION 1st Quarter — 12/31/16 to 3/31/17

	Driehaus International Small Cap Growth Fund (Port) (%)			MSCI AC World ex USA Small Cap Growth Index <sup>2</sup> (Bench) (%)			Attribution Analysis (%)		
	Port Avg. Weight	Port Total Return	Port Contrib To Return	Bench Avg. Weight	Bench Total Return	Bench Contrib To Return	Allocation Effect	Selection + Interaction	Total Effect
GICS Sector									
Consumer Discretionary	19.94	10.70	2.12	17.53	8.68	1.52	0.03	0.43	0.41
Consumer Staples	10.57	11.09	1.07	9.20	8.30	0.76	-0.08	1.26	0.17
Energy	2.83	-2.15	-0.16	3.07	-3.12	-0.10	0.00	-0.02	-0.03
Financials	5.28	-1.12	-0.04	5.80	8.79	0.51	-0.01	-0.45	-0.52
Health Care	5.93	11.13	0.59	11.67	9.30	1.08	0.01	0.12	0.04
Industrials	26.87	11.45	3.02	21.33	9.56	2.04	0.01	0.56	0.47
Information Technology	13.93	16.82	2.22	14.56	15.10	2.14	-0.04	0.39	0.17
Materials	7.44	-0.98	-0.10	9.19	8.11	0.77	-0.03	-0.23	-0.73
Real Estate	2.80	1.04	0.06	5.22	5.20	0.27	0.08	-0.11	0.00
Telecomm. Services	0.99	22.49	0.21	1.25	12.26	0.15	-0.01	0.09	0.07
Utilities	0.00	0.00	0.00	1.17	8.72	0.10	0.00	0.00	0.00
Cash	3.41	-28.71	-0.45	0.00	0.00	0.00	-0.64	0.00	-0.76
Unassigned*	0.00	0.00	0.00	0.01	-0.55	0.00	0.00	0.00	0.00
<b>Total</b>	<b>100.00</b>	<b>8.53</b>	<b>8.53</b>	<b>100.00</b>	<b>9.24</b>	<b>9.24</b>	<b>-0.67</b>	<b>2.04</b>	<b>-0.72</b>

Data as of 3/31/17 Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance, Morgan Stanley Capital International and Standard & Poor's Global Industry Classification Standard.

\*Unassigned refers to securities not recognized by Factset.

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](http://www.driehaus.com) for more current performance information. <sup>1</sup>The average annual total returns of the Driehaus International Small Cap Growth Fund include the performance of the Fund's predecessor limited partnership, which is calculated from August 1, 2002 before the Fund commenced operations and succeeded to the assets of its predecessor on September 17, 2007. 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, the 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 regulated investment companies and therefore did not distribute current or accumulated earnings.

<sup>2</sup>The Morgan Stanley Capital International (MSCI) AC World ex USA Small Cap Growth Index is a market capitalization-weighted index designed to measure equity performance in global developed markets and emerging markets, excluding the US and is composed of stocks which are categorized as small capitalization stocks. 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 AC World ex USA Small Cap Growth Index (GD) to the MSCI AC World ex USA Small Cap Growth Index (ND) because the net index is more commonly used industry wide and is more representative of the fund. <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. 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. Definitions of the attribution analysis can be found in the notes on page 7. \*Unassigned refers to securities that are not recognized by Factset.

**COUNTRY PERFORMANCE ATTRIBUTION** 1st Quarter — 12/31/16 to 3/31/17

MSCI Country	Driehaus International Small Cap Growth Fund (Port) (%)			MSCI AC World ex USA Small Cap Growth Index <sup>1</sup> (Bench) (%)			Total Effect
	Port Avg. Weight	Port Total Return	Port Contrib To Return	Bench Avg. Weight	Bench Total Return	Bench Contrib To Return	
Australia	1.57	23.96	0.33	4.72	6.07	0.29	0.32
Austria	2.27	30.52	0.59	0.48	35.85	0.15	0.27
Belgium	0.27	-1.93	-0.01	1.10	15.19	0.16	-0.11
Bermuda	0.00	0.00	0.00	0.11	-11.92	-0.01	0.02
Brazil	0.00	0.00	0.00	0.94	19.95	0.18	-0.09
British Virgin Islands	0.00	0.00	0.00	0.01	27.45	0.00	0.00
Canada	10.29	8.89	0.87	7.17	7.73	0.56	0.02
Cayman Islands	0.00	0.00	0.00	0.02	16.50	0.00	0.00
Chile	0.00	0.00	0.00	0.23	10.38	0.02	0.00
China	1.43	10.32	0.13	2.94	3.79	0.12	0.15
Colombia	0.00	0.00	0.00	0.02	7.85	0.00	0.00
Czech Republic	0.00	0.00	0.00	0.01	5.28	0.00	0.00
Denmark	1.35	7.00	0.13	1.25	10.69	0.13	0.00
Egypt	0.00	0.00	0.00	0.08	8.08	0.01	0.00
Finland	3.17	8.54	0.27	0.74	0.90	0.01	0.03
France	4.22	10.91	0.41	3.07	11.89	0.36	-0.04
Germany	4.84	4.25	0.09	4.59	13.27	0.60	-0.53
Greece	0.00	0.00	0.00	0.15	12.99	0.02	-0.01
Hong Kong	0.78	10.40	0.04	3.55	7.43	0.27	0.04
Hungary	0.00	0.00	0.00	0.03	-2.02	0.00	0.00
India	0.00	0.00	0.00	2.70	24.44	0.62	-0.37
Indonesia	0.77	8.54	0.07	0.57	-0.12	0.00	0.05
Ireland	1.09	13.64	0.16	1.09	11.58	0.12	0.04
Isle Of Man	2.99	16.90	0.49	0.81	16.51	0.13	0.16
Israel	0.00	0.00	0.00	0.97	17.76	0.17	-0.08
Italy	5.14	10.44	0.47	3.06	15.93	0.47	-0.16
Japan	20.90	9.37	2.01	21.94	7.96	1.76	0.35
Kazakhstan	0.00	0.00	0.00	0.07	29.32	0.02	-0.01
Luxembourg	0.81	-3.17	-0.02	0.54	13.77	0.07	-0.12
Macau	0.00	0.00	0.00	0.03	-11.59	0.00	0.00
Malaysia	0.00	0.00	0.00	0.72	12.66	0.09	-0.02
Malta	0.00	0.00	0.00	0.04	-10.23	0.00	0.01
Mexico	0.48	29.32	0.13	0.64	14.25	0.09	0.06
Netherlands	2.65	5.06	0.18	1.50	9.30	0.14	-0.07
New Zealand	0.00	0.00	0.00	0.77	14.33	0.11	-0.04
Norway	1.44	-9.31	-0.07	0.90	-7.12	-0.06	-0.06
Panama	1.06	24.30	0.24	0.00	0.00	0.00	0.14
Philippines	0.38	-9.79	-0.04	0.26	8.53	0.02	-0.07
Poland	0.00	0.00	0.00	0.26	24.66	0.06	-0.04
Portugal	0.00	0.00	0.00	0.09	6.13	0.01	0.00
Qatar	0.00	0.00	0.00	0.14	6.84	0.01	0.00
Russia	0.94	3.30	0.03	0.19	10.10	0.02	-0.06
Singapore	0.00	0.00	0.00	1.29	12.86	0.16	-0.04
South Africa	0.31	4.53	0.03	1.25	6.22	0.08	0.03
South Korea	0.63	-3.68	-0.08	3.53	9.35	0.32	-0.13
Spain	0.46	12.42	0.07	2.30	10.05	0.23	0.01
Sweden	3.78	10.97	0.41	4.46	3.26	0.16	0.31
Switzerland	7.32	18.97	1.33	2.79	13.97	0.38	0.53
Taiwan	0.28	3.13	0.01	3.69	16.45	0.58	-0.26
Thailand	0.00	0.00	0.00	0.85	-1.14	-0.01	0.09
Turkey	0.00	0.00	0.00	0.25	2.83	0.01	0.01
United Arab Emirates	0.00	0.00	0.00	0.17	-9.41	-0.02	0.03
United Kingdom	14.64	4.75	0.68	10.45	6.01	0.63	-0.35
United States	0.32	8.94	0.02	0.46	0.61	0.00	0.02
Cash	3.41	-28.71	-0.45	0.00	0.00	0.00	-0.76
<b>Total</b>	<b>3.41</b>	<b>-28.71</b>	<b>-0.45</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-0.76</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.

**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. **Currency Effect** - The currency effect is the portion of the total effect the portfolio manager can potentially influence by using currency hedging. **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.

SECTOR WEIGHTS				COUNTRY WEIGHTS			
	Fund	Benchmark	Active Weights		Fund	Benchmark	
Consumer Discretionary	23.3%	17.5%	 5.8	Australia	1.3%	4.7%	
Consumer Staples	8.4%	9.1%	 -0.7	Austria	3.8%	0.5%	
Energy	1.9%	2.9%	 -1.0	Belgium	1.0%	1.2%	
Financials	3.4%	5.8%	 -2.4	Canada	8.6%	7.1%	
Health Care	7.0%	11.9%	 -4.9	China	2.0%	2.8%	
Industrials	28.4%	21.3%	 7.1	Denmark	2.9%	1.3%	
Information Technology	14.6%	15.0%	 -0.5	Finland	3.2%	0.7%	
Materials	5.7%	8.9%	 -3.2	France	4.9%	3.2%	
Real Estate	2.5%	5.2%	 -2.7	Germany	6.2%	4.7%	
Telecomm. Services	1.1%	1.3%	 -0.2	Hong Kong	1.1%	3.5%	
Utilities	0.0%	1.2%	 -1.2	Indonesia	0.8%	0.6%	
Cash	3.7%	0.0%	 3.7	Ireland	0.7%	1.1%	
				Isle Of Man	2.8%	0.8%	
				Italy	4.1%	3.2%	
				Japan	19.9%	21.5%	
				Luxembourg	1.0%	0.5%	
				Mexico	0.6%	0.7%	
				Netherlands	1.4%	1.5%	
				Norway	0.7%	0.8%	
				Panama	1.2%	0.0%	
				Philippines	0.3%	0.3%	
				Russia	1.0%	0.2%	
				South Africa	0.5%	1.2%	
				South Korea	1.5%	3.6%	
				Sweden	2.1%	4.4%	
				Switzerland	7.3%	2.9%	
				Taiwan	1.3%	3.8%	
				United Kingdom	13.4%	10.4%	
				United States	0.8%	0.5%	
				Cash	3.7%	0.0%	

  

TOP 5 HOLDINGS <sup>1</sup> (as of 2/28/17)			
Company	Sector	Country	% of Fund
AURELIUS Equity Opportunities SE & Co. KGaA	Financials	Germany	1.8%
Teleperformance SE	Industrials	France	1.7%
GKN plc	Consumer Discretionary	United Kingdom	1.6%
Flughafen Zurich AG	Industrials	Switzerland	1.5%
ams AG	Information Technology	Switzerland	1.5%

  

PORTFOLIO CHARACTERISTICS			
	Fund	Benchmark	
Number of Holdings	106	2,340	<b>5-year period</b>
Weighted Avg. Market Cap (M)	\$4,067	\$2,254	Annualized Alpha
Median Market Cap (M)	\$3,046	\$869	Sharpe Ratio
Est. 3-5 Year EPS Growth	15.4%	15.2%	Information Ratio
Active Share (3-year avg.) <sup>3</sup>	91.79	n/a	Beta
<b>Market Cap Breakout</b>			Standard Deviation
< \$5 billion	68.2%	91.8%	Tracking Error
> \$5 billion	31.8%	8.2%	R-squared

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

Data as of 3/31/17. Benchmark: MSCI AC World ex USA Small Cap Growth Index (ND)

<sup>1</sup>Holdings subject to change. <sup>2</sup>Data is calculated monthly.

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.