



# DRIEHAUS MICRO CAP GROWTH FUND

First Quarter 2014 Summary

Ticker: DMCRX

## Key Features

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

## Inception Date

November 18, 2013

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

## Fund Assets Under Management

\$103.1 million

## Firm Assets Under Management

\$12.9 billion

## Investment Style

Growth equity

## Portfolio Managers

Jeff James  
Portfolio Manager  
23 years of investment experience

Michael Buck  
Assistant Portfolio Manager  
13 years of investment experience



## Market Overview

During the first quarter, the U.S. equity market continued to rally through January and February, briefly reaching new highs early in March, and then consolidated until March 19. That is when new Federal Reserve Chair Janet Yellen used the phrase "six months" in an effort to explain what was meant by "considerable time" in terms of when the Fed may raise rates following the completion of quantitative easing. The market interpreted this as a more hawkish stance by the Fed causing many stocks to begin a correction, especially stocks with higher growth rates, many of which tumbled swiftly.

The pullback in equities is occurring despite the U.S. economy actually strengthening and growth possibly accelerating after one of the most severe winters in years for much of the country. As is traditionally the case, the market is concerned about the relationship between the economy, earnings, inflation, the yield curve and the Fed. We believe that until inflation pressure builds, the Fed will remain simulative, the yield curve will remain steep, the economy and earnings will grow, and stock multiples will have the

underpinnings to expand. The market may correct further but as first quarter earnings come into focus, investors should remember that the outlook for many companies and sectors remains quite bright.

## Performance and Positioning

The Driehaus Micro Cap Growth Fund outperformed its benchmark, the Russell Microcap<sup>®</sup> Growth Index, for the first quarter. The fund returned 6.33%, while the index returned 4.80%.<sup>1</sup>

Holdings in the industrials, energy and consumer discretionary sectors contributed to the fund's returns. The most significant detractors from performance came from the information technology, health care and materials sectors.

The fund's most significant overweights as of quarter end were to industrials, energy and consumer discretionary. The most significant underweights were to health care, financials and materials.

## Portfolio Review & Outlook

At the sector level, industrials, energy and consumer discretionary contributed to absolute and relative performance. A

### <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 Russell Investments

nice mix of strong consumer holdings contributed to the quarter's outperformance in media, home goods and consumer durables.

Energy was the second strongest performing sector for the quarter, and finished the period as the market leader. Numerous energy and production companies as well as land-based oil service companies look well positioned. The energy renaissance continues and commodity price strength and improving capital expenditure programs suggest a strong 2014.

The information technology, health care and materials sectors were detractors on a relative basis. Late in the quarter, there was a sharp market rotation out of software—especially the high growth software-as-a-service stocks that have been market leaders for some time. The rotation has been into lower growth semiconductor and hardware stocks with lower P/E multiples. While some select semis and hardware companies are well positioned, differentiated and are attractive portfolio holdings, in general we have been underweight hardware. We believe most of

the industry possesses inferior outlooks with less visibility in revenues and bookings.

Health care, led by biotech, was by far the strongest sector during January and February for the fund and benchmark. Several portfolio biotech holdings benefited from strong data demonstrating superior efficacy and safety for their new drugs. During March, biotech corrected sharply and the sector, while a strong contributor to the fund on an absolute basis, detracted from relative returns.

While we are relatively sanguine looking ahead, we have become defensive on the margin concerning short-term market price risk. We have reduced exposure to biotech, software and some other stocks that have premium valuations. Offsetting our current sector underweights in health care and technology are overweights in industrials, energy and consumer discretionary.

From a thematic perspective, there continue to be numerous sustainable trends to be excited about. The secular growth trends of the shale energy revolution, cloud computing, and next generation biotech

continue to be powerful mega-themes generating many dynamic investment ideas throughout the fund. For now, we do not see a negative fundamental change in the software and drug sectors. We see the current correction as mostly a valuation adjustment as their stock prices advanced materially along with an influx of new IPOs. We see the opening of the IPO market as a welcome sign after nearly a decade of it being largely closed prior to 2013. We remain nimble and vigilant as the upcoming earnings season will be a telling near-term indicator for these two industries. Other areas of interest include the consumer space, where there are many attractive retailers, restaurants and natural/organic food companies that have sustainable growth profiles. Finally, the industrial sector remains attractive with a number of other fast growing manufacturers.

Overall, we continue to discover many exciting businesses that have strong, sustainable earnings growth, and we have high conviction in the dynamic and innovative companies we hold.

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

## DRIEHAUS MICRO CAP GROWTH SUMMARY Q1 2014

### PERFORMANCE as of 3/31/14

	QTR	YTD	1 Year	3 Year <sup>1</sup>	5 Year <sup>1</sup>	10 Year <sup>1</sup>	Inception 1/1/03 <sup>1</sup>
Driehaus Micro Cap Growth Fund	-2.89%	6.33%	43.76%	16.46%	28.01%	12.55%	19.63%
Russell Microcap <sup>®</sup> Growth Index <sup>2</sup>	-2.89%	4.80%	39.34%	16.10%	27.27%	6.74%	11.54%

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

Management fee:	1.25%
Other expenses:	0.34%
Total annual fund operating expenses:	1.59%

### SECTOR PERFORMANCE ATTRIBUTION 1st Quarter — 12/31/2013 to 3/31/2014 (U.S. Dollar Denominated)

	Driehaus Micro Cap Growth Fund (Port) (%)			Russell Microcap <sup>®</sup> Growth Index <sup>2</sup> (Bench) (%)			Variation (%)	Attribution Analysis (%)		
	Port Avg. Weight	Port Total Return	Port Contrib To Return	Bench Avg. Weight	Bench Total Return	Bench Contrib To Return		Variation Ending Weight	Allocation Effect	Selection + Interaction
MSCI/GICS Sector										
Consumer Discretionary	13.40	7.08	0.52	13.34	-1.54	-0.27	1.01	-0.05	0.96	0.91
Consumer Staples	3.11	-4.78	-0.18	3.03	-2.61	-0.12	1.08	0.12	-0.12	0.00
Energy	5.49	23.29	1.26	3.65	6.94	0.23	3.34	0.16	0.87	1.03
Financials	0.75	1.20	-0.00	5.58	0.79	0.05	-5.13	0.17	-0.01	0.16
Health Care	30.77	14.25	3.89	37.05	13.40	4.61	-8.21	-0.82	0.35	-0.48
Industrials	18.81	11.42	2.07	11.63	4.84	0.51	7.22	-0.12	1.21	1.09
Information Tech.	20.59	-9.61	-1.79	17.99	-2.59	-0.48	-1.38	-0.25	-1.32	-1.57
Materials	1.79	-8.33	-0.14	3.68	4.75	0.18	-2.90	-0.02	-0.23	-0.25
Telecomm. Services	3.65	12.85	0.41	3.60	3.04	0.11	0.43	0.02	0.31	0.32
Utilities	0.10	-6.15	-0.06	0.45	1.28	0.00	-0.45	-0.00	-0.07	-0.07
Cash	1.55	0.01	0.00	--	--	--	4.99	0.00	--	0.00

Data as of 3/31/2014

Sources: Russell Investments, eVestment Alliance, LLC, SS&C Inc., Russell Investments and Standard & Poor's Global Industry Classification Standard and Driehaus Capital Management LLC

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<sup>1</sup>The average annual total returns of the Driehaus Micro Cap Growth Fund include the performance of one of the Fund's predecessor limited partnerships, which is calculated from January 1, 2003, before the Fund commenced operations and succeeded to the assets of its predecessors on November 18, 2013. The Fund's predecessors are the Driehaus Micro Cap Fund, L.P. (1996 inception) and the Driehaus Institutional Micro Cap Fund, L.P. (2011 inception). The performance of the Driehaus Micro Cap Fund, L.P., which was selected because it has the longer track record of the two predecessor partnerships, has been restated to reflect estimated expenses of the Fund. The predecessor limited partnerships were not registered under the Investment Company Act of 1940, as amended ("1940 Act") and thus were not subject to certain investment and operational restrictions that are imposed by the 1940 Act. If the predecessors had been registered under the 1940 Act, their performance may have been adversely affected. After-tax performance returns are not included for the Driehaus Micro Cap Fund, L.P. The predecessors were not regulated investment companies and therefore did not distribute current or accumulated earnings.

<sup>2</sup>The Russell Microcap<sup>®</sup> Growth Index is constructed to provide a comprehensive and unbiased barometer of the microcap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate microcap growth manager's opportunity set. The index has an inception date of July 2000.<sup>3</sup> Represents the estimated Annual Fund Operating Expenses as disclosed in the current prospectus dated November 5, 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. "Other Expenses" are estimated for the current fiscal year.

The Russell Indices are a trademark/service mark of the Frank Russell Company. Russell is a trademark of the Frank Russell<sup>®</sup> Company.

Per FactSet Research Systems Inc., the Attribution Report provides an in-depth analysis of relative performance. With this report one can research whether or not a portfolio outperformed a benchmark, and how each group contributed to performance. The performance data shown above is estimated and represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. The information presented is intended for informational purposes only.

### Driehaus Securities LLC, Distributor

#### ATTRIBUTION ANALYSIS CATEGORIES ARE DEFINED AS:

**Allocation Effect** - Measures the impact of the decision to allocate assets differently than those in the benchmark.

**Security Selection Effect** - Measures the effect of choosing securities, which may or may not outperform those of the benchmark.

**Interaction Effect** - Jointly measures the effect of allocation and selection decisions.

**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

### Month-End Absolute Weights

	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Telecomm. Services	Utilities	Cash
Fund	15.2%	4.2%	7.3%	0.5%	28.7%	19.1%	16.2%	0.7%	4.1%	0.0%	4.0%
Benchmark	13.6%	3.1%	3.9%	5.6%	36.4%	12.0%	17.7%	3.7%	3.6%	0.5%	0.0%
<b>Active Weights</b>	1.6%	1.1%	3.5%	-5.1%	-7.7%	7.1%	-1.5%	-2.9%	0.5%	-0.5%	4.0%

## PORTFOLIO CHARACTERISTICS

	Fund	Benchmark	5-year period	Fund	Benchmark
Number of Holdings	122	833	Annualized Alpha	-1.67	n/a
Weighted Avg. Market Cap (M)	\$738	\$669	Sharpe Ratio	1.14	1.32
Median Market Cap (M)	\$607	\$233	Information Ratio	0.09	n/a
Active Share (3-year avg.) <sup>1</sup>	80.2	n/a	Beta	1.12	1.00
<b>Market Cap Breakout</b>			Standard Deviation	24.42	20.61
< \$1 billion	77.8%	84.7%	Tracking Error	8.40	0.00
> \$1 billion	22.2%	15.3%	R Squared	0.89	1.00

### TOP 5 HOLDINGS<sup>2</sup> (as of 2/28/14)

Company	Sector	Description	% of Fund
Interactive Intelligence Group, Inc.	Information Technology	Provider of software applications	2.1%
Callidus Software Inc.	Information Technology	Provides cloud-based solutions for sales effectiveness	1.9%
Intercept Pharmaceuticals, Inc.	Health Care	Biopharmaceutical company	1.9%
Rentrak Corporation	Consumer Discretionary	Global media measurement and distribution company	1.8%
Dixie Group, Inc.	Consumer Discretionary	Engaged in marketing, manufacturing and selling of carpets and rugs	1.7%

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance  
Data as of 3/31/2014. Benchmark: Russell Microcap<sup>®</sup> Growth Index  
<sup>1</sup>Data is calculated monthly. <sup>2</sup>Holdings subject to change.

Driehaus Securities LLC, Distributor

At times, a significant portion of a Fund's return may be attributable to investments in initial public offerings (IPOs) or concentrations in certain strong performing sectors, such as technology. Returns from IPOs or sector concentrations may not be repeated or consistently achieved in the future. In addition, participating in IPOs and other investments during favorable market conditions may enhance the performance of a Fund with a smaller asset base, and this Fund may not experience similar performance results as its assets grow. The securities of micro-cap companies may be more volatile in price, have wider spreads between their bid and ask prices, and have significantly lower trading volumes than the securities of larger capitalization companies. As a result, the purchase and sale of more than a limited number of shares of the securities of a smaller company may affect its market price. Growth stocks may involve special risks and their prices may be more volatile than the overall market. It is anticipated that the Fund will experience high rates of portfolio turnover, which may result in payment by the Fund of above-average transaction costs. This is a nondiversified fund compared to other funds, the Fund may invest a greater percentage of assets in a particular issuer or a small number of issuers. As a consequence, the Fund may be subject to greater risks and larger losses than diversified funds. 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.**

**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 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.