

# Driehaus Frontier Markets Strategy

## OBJECTIVE

The strategy seeks to outperform the MSCI Frontier Markets Index over full market cycles.

## KEY FEATURES

- » Active, growth approach to an attractive inefficient investment universe
- » Benchmark-aware not benchmark-constrained investment approach—high active share
- » Bias toward domestically driven growth companies
- » Holistic investment process that incorporates macro and bottom-up analysis
- » Focus on risk management
- » Portfolio management team with several years of investment experience in frontier markets

## INCEPTION DATE

September 1, 2014

## COMPOSITE ASSETS UNDER MANAGEMENT<sup>1</sup>

\$49 million

Total Strategy Assets: \$49 Million

## FIRM ASSETS UNDER MANAGEMENT

\$8.8 billion

## INVESTMENT UNIVERSE

Frontier markets all cap equity

## INVESTMENT STYLE

Growth equity

## AVAILABLE INVESTMENT VEHICLES:

- » Separately managed account
- » Mutual fund

## PORTFOLIO MANAGERS



### Chad Cleaver, CFA

Large Portfolio Manager  
16 years of industry experience



### Richard Thies

Portfolio Manager  
11 years of industry experience

## MARKET OVERVIEW

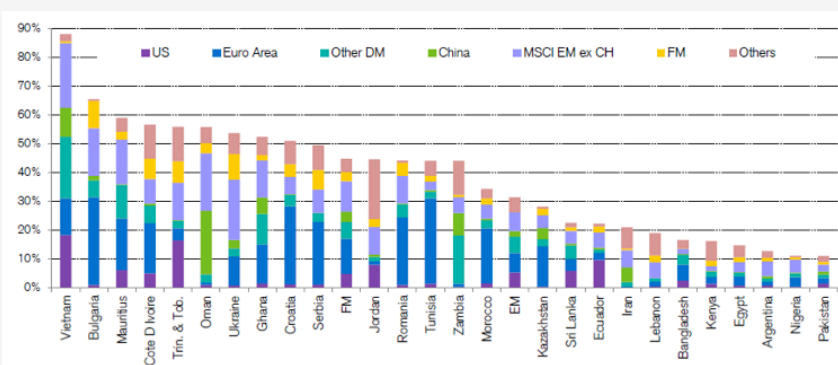
The first quarter of 2018 brought about the first period of renewed volatility to global equity markets in over a year with concerns over rising inflation and interest rates, along with trade wars being the proximate causes of the turbulence.

Overall, frontier markets held up well on a relative basis, with MSCI Frontier returning 5.2% for the quarter, an excess return of 600 basis points versus the MSCI World Index. While we do not argue that frontier markets are completely insulated from the aforementioned factors precipitating the global equity market selloff, the degree of sensitivity found in frontier is far lower than many other segments of global equity markets.

As shown below, there is a wide range of dispersion among frontier economies in terms of their reliance on trade. While exports, as a proportion of gross domestic product (GDP), are higher for frontier markets than emerging markets, the US is a much less important export destination, at 11% of total exports, while most trade is conducted with other frontier and emerging economies. (Exhibit 1)

In aggregate, frontier is in the unique position of witnessing a declining inflation trajectory. Admittedly, this is largely influenced by the base effect, as economies such as Egypt and Nigeria are coming off of extremely high inflation rates resulting from currency devaluations. However, across many other frontier economies, inflation rates have remained remarkably steady at relatively low levels in a historical context. (Exhibit 2).

**Exhibit 1: Frontier Market Exports by Destination  
(% of GDP, last 12 months rolling)**

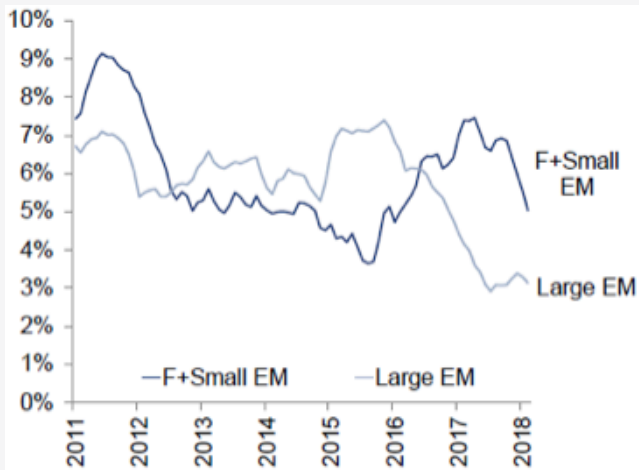


Source: IMF, Credit Suisse

<sup>1</sup>Composite assets include those accounts that meet the composite objectives and eligibility requirements. Please see notes at the end of this document for descriptions of composite objectives and eligibility requirements.

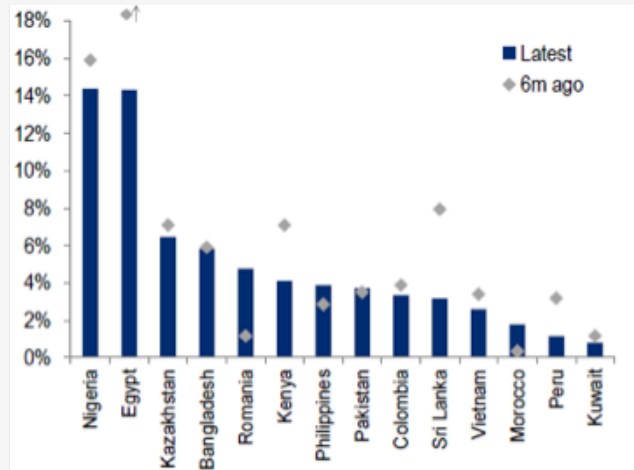
## Exhibit 2: Consumer Products Index (CPI) by Region and CPI Inflation

Average YOY CPI, by Region



Source: Haver

CPI Inflation, Latest and 6m Ago, by Market



Source: Haver

### PERFORMANCE REVIEW

The Driehaus Frontier Markets strategy, net of fees, returned 5.92% for the quarter, compared to the MSCI Frontier Markets Index (ND) return of 5.10% for the quarter.<sup>1</sup> At the

sector level, the most significant contributors to returns were industrials and information technology. The real estate and consumer discretionary sectors detracted the most value. At the country level, Egypt and Argentina

contributed most to performance for the month, while Bangladesh and Kuwait were notable detractors from performance.

## Exhibit 3: MSCI Frontier (top panel) and 250-day Correlation to MSCI World Index (bottom panel)



Source: Bloomberg

<sup>1</sup>The performance data represents the strategy's composite of frontier markets accounts managed by Driehaus Capital Management LLC (DCM) (the composite). These returns are estimated for the period as all underlying accounts have not yet been reconciled. All rates of return include reinvested dividends and other earnings. Net of fee returns reflect the payment of advisory fees and in some instances, other fees and expenses such as administrative and transfer fees while the gross of fee returns do not. Both are net of brokerage commissions charged to the accounts. The performance data shown above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. The performance results for the composite are shown in comparison to an index. The index is not actively managed and does not reflect the deduction of any advisory or other fees and expenses. While the securities comprising the index are not identical to those in the composite, DCM believes this comparison may be useful in evaluating performance. Please see the notes section for other important information.

## POSITIONING AND OUTLOOK

After a period of historically low volatility in global equity markets during 2017 where the benefits of diversification were mostly obscured by a high degree of concentration in leading global technology stocks, we see the first quarter of 2018 as a prime example of the utility of frontier markets within a diversified asset allocation. With relatively low correlation to global equity markets and a lower degree of macro sensitivity to factors such as the threat of trade wars, frontier markets offer a diversifying exposure during market environments such as the one that has unfolded year-to-date. (Exhibit 3)

As discussed above, a number of frontier economies have benefited from declining inflation, and we continue to find a robust opportunity set in Egypt, which we outlined in our January commentary. Further, we expect political reforms and improving governance to yield new ideas in Sub-Saharan Africa.

Lastly, Vietnam remains a standout performer within the asset class. Some commentators have cautioned against Vietnam from a valuation perspective, as the market currently trades at a forward price per earnings (P/E) multiple of approximately 24x, representing a 10-year high. We note the sharp rise in many large index constituents that have benefited from rising flows and crossover allocations from managers with emerging market or global mandates. While we have reduced or exited positions that we believe may be susceptible to a sharp correction resulting from plateauing or deteriorating earnings outlooks, coupled with high price momentum, we remain overweight the market as a whole.

We believe that the current backdrop for Vietnam is not directly comparable to the past ten years, as a result of the success Vietnam has had in stemming past credit excesses, attracting foreign direct investment, and undertaking new listings of well-run

businesses in rapidly growing areas such as the consumer sectors, property, and tourism.

Over the past decade, we have observed a changing corporate culture in Vietnam, which has gradually shifted from the past days of state-owned enterprises lacking in transparency and maintaining disparate exposures in businesses that lacked synergies, to one that increasingly prioritizes good governance practices and transparency. While more work remains in that regard, in our view, the makeup of the Vietnamese equity market, from both a micro and macro perspective, warrants a higher multiple than it did in the past.

Until next month,



**Chad Cleaver**

*Lead Portfolio Manager*



**Rich Thies**

*Portfolio Manager*

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### Disclosures

*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 24, 2018 and are subject to change at any time due to changes in market or economic conditions. The commentary has not been updated since April 24, 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

	MTH	QTR	YTD	1 Year	3 Year	Inception 9/1/14
<b>DrieHaus Frontier Markets Composite (Gross)</b>	<b>1.95</b>	<b>6.41</b>	<b>6.41</b>	<b>22.05</b>	<b>11.17</b>	<b>7.42</b>
<b>DrieHaus Frontier Markets Composite (Net)</b>	<b>1.81</b>	<b>5.92</b>	<b>5.92</b>	<b>19.77</b>	<b>9.43</b>	<b>5.91</b>
MSCI Frontier Markets Index (ND)	0.91	5.10	5.10	27.26	7.90	1.98

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

MSCI/GICS Sector	DrieHaus Frontier Markets Strategy (Port) (%)		MSCI Frontier Markets Index (ND) <sup>1</sup> (Bench) (%)		Attribution Analysis (%)		
	Port Avg. Weight	Port Contrib To Return	Bench Avg. Weight	Bench Contrib To Return	Allocation Effect	Selection + Interaction	Total Effect
Consumer Discretionary	7.81	0.22	0.43	-0.01	-0.70	0.62	-0.09
Consumer Staples	6.27	0.42	10.50	0.49	0.01	0.03	0.05
Energy	4.71	-0.06	6.91	0.12	0.08	-0.02	0.06
Financials	31.39	2.57	46.04	3.10	-0.28	0.15	-0.19
Health Care	7.54	0.15	2.80	0.06	-0.15	0.06	-0.04
Industrials	10.48	1.70	4.08	0.14	-0.12	1.41	1.28
Information Tech.	3.59	0.53	1.02	0.11	0.19	0.12	0.30
Materials	8.33	0.60	5.04	0.16	0.03	0.25	0.25
Real Estate	2.74	0.32	6.04	0.56	-0.15	0.05	-0.12
Telecomm. Services	7.34	0.25	13.56	0.61	0.03	-0.02	-0.01
Utilities	1.70	-0.28	3.58	-0.24	0.22	-0.13	0.09
Cash	8.08	-0.17	0.00	0.00	-0.25	0.00	-0.44
Unassigned*	0.02	-0.31	0.00	0.00	-0.31	0.00	-0.31
<b>Total</b>	<b>100.00</b>	<b>5.93</b>	<b>100.00</b>	<b>5.10</b>	<b>-1.39</b>	<b>2.51</b>	<b>0.83</b>

Data as of 3/31/18

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

The performance data represents the strategy's composite of frontier markets accounts managed by DrieHaus Capital Management LLC (DCM) (the composite). These returns are estimated for the period as all underlying accounts have not yet been reconciled. All rates of return include reinvested dividends and other earnings. Net of fee returns reflect the payment of advisory fees and in some instances, other fees and expenses such as administrative and transfer fees while the gross of fee returns do not. Both are net of brokerage commissions charged to the accounts. The performance data shown above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. The performance results for the composite are shown in comparison to an index. The index is not actively managed and does not reflect the deduction of any advisory or other fees and expenses. While the securities comprising the index are not identical to those in the composite, DCM believes this comparison may be useful in evaluating performance. **Please see the notes section for other important information.**

<sup>1</sup>The Morgan Stanley Capital International Frontier Markets Index provides broad representation of the equity opportunity set while taking investability requirements into consideration within each market MSCI classifies as a frontier market. Data is in US Dollars. The net dividend (ND) index is calculated with net dividend reinvestment.

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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 on page 5. \*Unassigned refers to securities that are not recognized by FactSet.

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

MSCI Country	Driehaus Frontier Markets Strategy (Port) (%)			MSCI Frontier 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	Allocation Effect	Selection + Interaction	Total Effect
Argentina	16.41	-3.34	-0.24	21.26	-5.63	-1.13	0.61	0.52	1.07
Bahrain	0.00	0.00	0.00	3.48	2.09	0.07	0.10	0.00	0.11
Bangladesh	11.69	-5.78	-0.80	2.67	-2.15	-0.06	-0.76	-0.50	-1.32
Botswana	0.83	8.94	0.07	0.00	0.00	0.00	0.01	0.00	0.03
Brazil	0.66	-7.00	-0.05	0.00	0.00	0.00	-0.08	0.00	-0.08
Cambodia	1.82	25.59	0.53	0.00	0.00	0.00	0.48	0.00	0.47
Croatia	0.25	-5.12	-0.01	1.59	0.62	0.01	0.09	-0.02	0.05
Egypt	5.96	29.47	1.67	0.00	0.00	0.00	1.36	0.00	1.39
Estonia	0.70	-10.58	-0.11	0.40	-6.21	-0.03	-0.07	-0.04	-0.10
Georgia	0.89	-10.36	-0.10	0.00	0.00	0.00	-0.17	0.00	-0.14
Ghana	0.33	0.01	0.00	0.00	0.00	0.00	-0.02	0.00	-0.02
Ivory Coast	0.00	0.00	0.00	0.17	24.14	0.04	-0.02	0.00	-0.03
Jordan	1.84	8.76	0.14	1.23	11.06	0.13	0.06	-0.07	-0.01
Kazakhstan	1.43	-4.25	0.05	1.18	18.71	0.28	0.05	-0.32	-0.22
Kenya	2.80	18.49	0.45	4.93	22.16	0.98	-0.29	-0.10	-0.43
Kuwait	4.90	6.31	0.30	16.35	8.09	1.30	-0.31	-0.15	-0.48
Lebanon	0.00	0.00	0.00	2.32	4.64	0.10	0.00	0.00	0.02
Lithuania	0.00	0.00	0.00	0.22	14.44	0.03	-0.01	0.00	-0.02
Luxembourg	1.81	6.26	0.19	1.02	10.93	0.11	0.13	-0.05	0.08
Mauritius	0.00	0.00	0.00	2.29	-25.65	-0.69	0.87	0.00	0.82
Morocco	1.46	14.26	0.21	7.90	6.35	0.46	-0.01	0.13	0.07
Nigeria	4.09	14.19	0.46	7.31	7.32	0.49	-0.11	0.22	0.13
Oman	0.00	0.00	0.00	2.25	-3.14	-0.07	0.18	0.00	0.20
Pakistan	0.94	-1.89	-0.08	0.00	0.00	0.00	-0.05	0.00	-0.12
Romania	4.30	16.10	0.59	3.82	20.56	0.71	0.06	-0.18	-0.12
Saudi Arabia	3.79	15.77	0.53	0.00	0.00	0.00	0.45	0.00	0.45
Senegal	0.56	-10.73	-0.05	0.78	0.68	0.00	-0.04	-0.01	-0.05
Slovenia	0.00	0.00	0.00	1.55	3.11	0.04	0.06	0.00	0.03
Serbia	0.00	0.00	0.00	0.22	6.45	0.01	0.00	0.00	0.00
Sri Lanka	0.71	-0.70	-0.01	1.21	5.41	0.06	-0.01	-0.05	-0.05
Suriname	0.91	15.87	0.13	0.00	0.00	0.00	0.09	0.00	0.09
Switzerland	0.75	-9.72	-0.16	0.00	0.00	0.00	-0.23	0.00	-0.20
Tanzania	0.18	-4.14	-0.03	0.00	0.00	0.00	-0.07	0.00	-0.08
Thailand	1.74	5.15	0.06	0.00	0.00	0.00	-0.06	0.00	-0.01
Togo	0.00	0.00	0.00	0.29	-3.81	-0.01	0.02	0.00	0.02
Tunisia	0.00	0.00	0.00	0.44	30.27	0.12	-0.09	0.00	-0.10
United Arab Emirates	1.67	16.63	0.29	0.00	0.00	0.00	0.14	0.00	0.19
United Kingdom	2.19	4.95	0.12	0.00	0.00	0.00	-0.06	0.00	0.02
United States	0.00	0.00	0.00	0.66	-27.27	-0.21	0.24	0.00	0.24
Vietnam	16.34	13.09	2.29	14.49	17.59	2.35	0.27	-0.53	-0.30
Cash	8.08	-2.17	-0.17	0.00	0.00	0.00	-0.25	0.00	-0.44
Unassigned	0.00	-0.32	-0.33	0.00	0.00	0.00	-0.33	0.00	-0.33
<b>Total</b>	<b>100.00</b>	<b>5.93</b>	<b>5.93</b>	<b>100.00</b>	<b>5.10</b>	<b>5.10</b>	<b>2.27</b>	<b>-1.15</b>	<b>0.83</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 4. \*Unassigned refers to securities that are not recognized by FactSet. Definitions of the attribution analysis can be found below.

**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.

TOP 5 HOLDINGS<sup>1</sup> (as of 2/28/17)

Company		Country	% of Strategy
Airports Corporation of Vietnam	Industrials	Vietnam	4.1
Grupo Financiero Galicia SA Sponsored ADR Class B	Financials	Argentina	3.3
Globant SA	Information Technology	United States	3.0
Grameenphone Ltd.	Telecommunication Services	Bangladesh	3.0
Safaricom PLC	Telecommunication Services	Kenya	2.9

## SECTOR WEIGHTS (%)

## COUNTRY WEIGHTS (%)

	Strategy		Benchmark		Active Weights			Strategy		Benchmark		
	Strategy	Benchmark	Strategy	Benchmark	Strategy	Benchmark		Strategy	Benchmark	Strategy	Benchmark	
Consumer Discretionary	7.3	0.4				6.9	Argentina	15.5	20.5	Morocco	1.9	7.9
Consumer Staples	6.3	11.2			-4.9		Bahrain	0.0	3.4	Nigeria	4.3	7.1
Energy	3.8	6.2			-2.3		Bangladesh	9.5	2.6	Oman	0.0	2.1
Financials	33.6	45.9			-12.3		Botswana	0.8	0.0	Pakistan	1.6	0.0
Health Care	7.9	2.8				5.1	Brazil	0.4	0.0	Romania	5.1	4.1
Industrials	13.1	4.1				9.0	Cambodia	2.8	0.0	Saudi Arabia	5.7	0.0
Information Technology	3.9	1.1				2.9	Croatia	0.0	1.6	Senegal	0.0	0.8
Materials	7.5	4.4				3.2	Egypt	6.4	0.0	Slovenia	0.0	1.5
Real Estate	1.5	7.2			-5.7		Estonia	0.9	0.4	Serbia	0.0	0.2
Telecomm. Services	6.8	13.4			-6.6		Georgia	0.9	0.0	Sri Lanka	0.7	1.2
Utilities	1.0	3.4			-2.4		Ghana	0.5	0.0	Suriname	0.9	0.0
Cash	7.2	0.0				7.2	Ivory Coast	0.0	0.2	Switzerland	0.8	0.0
Unassigned	0.0	0.0			0.0		Jordan	1.9	1.3	Thailand	2.1	0.0
							Kazakhstan	0.5	0.7	Togo	0.0	0.2
							Kenya	3.0	5.4	Tunisia	0.0	0.5
							Kuwait	3.9	16.6	UAE	1.3	0.0
							Lebanon	0.0	2.4	United Kingdom	2.5	0.0
							Lithuania	0.0	0.2	United States	0.0	0.5
							Luxembourg	2.9	1.1	Vietnam	15.9	15.5
							Mauritius	0.0	2.0	Cash	7.2	0.0

PORTFOLIO CHARACTERISTICS<sup>2</sup>

	Strategy	Benchmark
Number of Holdings	65	110
Weighted Avg. Market Cap (M)	\$4,148	\$6,227
Median Market Cap (M)	\$2,148	\$2,159
Est. 3-5 Year EPS Growth	23.3%	21.6%
Active Share	73.91	n/a
Market Cap Breakout (%)		
< \$5 billion	76.5	52.6
\$5 - \$15 billion	20.7	41.8
> \$15 billion	2.8	5.7

Sources: Drieaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance  
Data as of 3/31/18. Benchmark: MSCI Frontier Markets Index (ND)

<sup>1</sup>Holdings subject to change.

<sup>2</sup>Portfolio characteristics represent the strategy's composite.

Driehaus Capital Management LLC (DCM) is a registered investment adviser with the United States Securities and Exchange Commission (SEC). DCM provides investment advisory services using growth equity strategies to individuals, organizations, and institutions. The firm consists of all accounts managed by DCM (the Company). Prior to October 1, 2006, the firm included all accounts for which Driehaus Capital Management (USVI) LLC (DCM USVI) acted as investment adviser. On September 29, 2006, DCM USVI ceased conducting its investment advisory business and withdrew its registration as a registered investment adviser with the SEC. Effective September 30, 2006, DCM USVI retained DCM as investment adviser to these portfolios.

DCM claims compliance with the Global Investment Performance Standards (GIPS®).

**COMPOSITE OBJECTIVES AND ACCOUNTS ELIGIBLE FOR THE FRONTIER MARKETS COMPOSITE**

The Driehaus Frontier Markets Composite represents all “frontier markets accounts” actively and exclusively managed by DCM since inception of the first account in September 2014 when the composite was created.

The style seeks to maximize capital appreciation by investing primarily in equity securities of companies domiciled in frontier markets and companies not domiciled in frontier markets but that derive a substantial portion of their revenues from frontier markets. Frontier markets will be defined as those countries classified as frontier markets by the MSCI. The style will hold a diversified portfolio unconstrained as to geography, sector or market capitalization.

Once an account has met the above criteria and is fully invested, it is included in the Composite in the next full monthly reporting period. Accounts that change investment strategies are transferred between composites in the first full monthly reporting period in which the account is managed under the new style. Terminated accounts are excluded from the Composite in the first month in which they are not fully invested as of the end of the month.

**PERFORMANCE RESULTS**

Asset-weighted, net of fee and gross of fee composite returns are presented. Monthly composite returns are calculated as the sum of the monthly returns of each account weighted by the account’s beginning monthly value as compared to the Composite total. For periods prior to November 1, 2004, time-weighted account rates of return were calculated on a monthly basis and allowed for the effect of cash additions and withdrawals using the Modified-Dietz method. If a cash contribution or withdrawal exceeded 10% of an account’s value, the account was revalued and the return was calculated for the interim period. Effective November 1, 2004, account rates of return are calculated on a monthly basis by geometrically linking daily returns. Monthly composite returns are geometrically linked to determine annual composite returns.

Net of fee returns reflect the payment of advisory fees and in some instances, other fees and expenses such as administrative and transfer fees while the gross of fee returns do not. Both are net of brokerage commissions charged to the accounts.

The annualized rate of return is presented as the level annual rate which, if earned for each year in a multiple-year period, would produce the actual cumulative rate of return over that period.

For frontier markets accounts, valuations and returns are computed and stated in U.S. dollars. Since returns are stated in U.S. dollars, exchange rates were used in the conversion. The Company is not aware of any significant inconsistencies between exchange rates used in the Composite and those used in the benchmark indices. Securities transactions, which include brokerage commissions, are recorded on a trade date basis, and where information is available, income and expense items are recorded on an accrual basis. Returns are presented on a pretax basis and are net of any actual foreign taxes withheld on dividends and interest. Leverage is not a part of the Company’s investment strategy for this Composite. Securities are valued in the foreign currency in which they are denominated and then translated into U.S. dollars at the spot rate. Forward contracts are generally purchased to hedge the risk of the currency fluctuation between the trade date and the settlement date of the underlying securities transactions.

Past performance is not indicative of future results. All investments have risks and you could lose money. Other methods may produce different results and the results for individual accounts and for different periods may vary depending on market conditions and the composition of the account. Care should be used when comparing these results to those published by other investment advisers, other investment vehicles and unmanaged indices due to possible differences in calculation methods.

Additional information regarding policies for valuing portfolios, calculating and preparing compliant composite presentations are available upon request. A complete listing and description of all composites is also available upon request. Please contact our sales, marketing and relationship management department at 312-932-8621.

**TAX EFFECT**

The rates of return presented are determined without regard to U.S. tax consequences. Income tax may be withheld on income depending on the tax laws of each country and its treaty, if any, with the U.S. Such withholding taxes are reflected in the performance of accounts.

**INDICES**

The performance results for the Composite are shown in comparison to indices. While the securities comprising the indices are not identical to those in any account in the Composite, the Company believes this may be useful in evaluating performance. Unlike the Composite, the indices are not actively managed and do not reflect the deduction of any advisory or other fees and expenses.

The Morgan Stanley Capital International Frontier Markets Index provides broad representation of the equity opportunity set while taking investability requirements into consideration within each market MSCI classifies as a frontier market. Data is in US Dollars. The net dividend (ND) index is calculated with net dividend reinvestment.

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.

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