

Country Spotlight: Egypt

The effect of shifts in a country's policy environment is a far more significant driver of equity returns within less developed markets than for their more developed counterparts. You do not have to follow frontier markets for long to find examples of this at play. Argentina's emergence from the isolation of Kirchnerismo and Nigeria's mistrust of monetary orthodoxy spring quickly to mind.

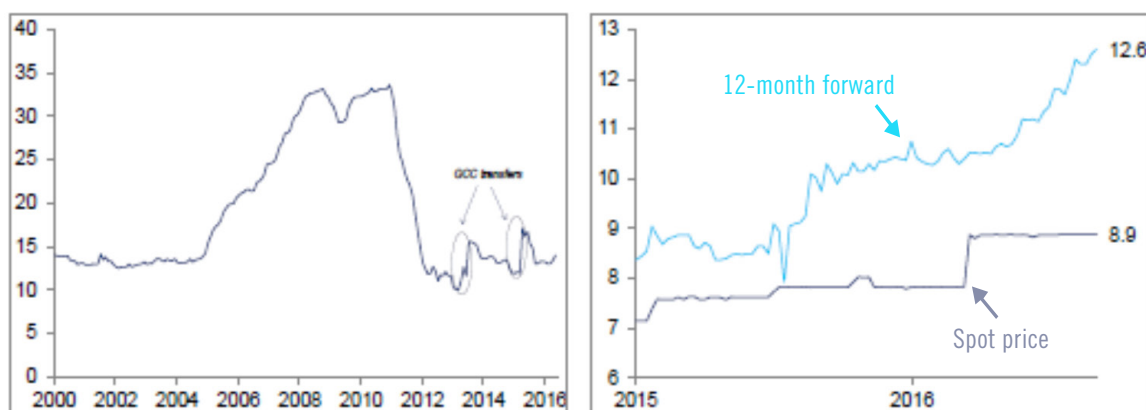
While predicting the trajectory, outcome and timing of these shifts can prove challenging, a number of frontier and emerging markets are in the process of improving macroeconomic conditions and policy rationality—in turn generating attractive investment opportunities. Egypt is one such market in which the challenges and missteps of recent years appear to be giving way to renewed reform progress and policy orthodoxy, reinforced by the recently announced International Monetary Fund's USD 5-6 billion Extended Fund Facility for Egypt that is pending implementation.

In the wake of the January 25 Revolution that saw the deposition of President Hosni Mubarak, Egypt passed through a period of crisis that included a 2013 coup d'état and culminated in the ascendance of Abdel el-Sisi to the presidency in

2014. Since assuming control, el-Sisi has contended with a variety of issues from the need to re-establish the legitimacy and stability of the country's institutions to regional unrest and economic strain attributable to a unique combination of toxic geopolitical circumstances and collapsing oil prices. Over the past year, greater perceived political stability in Egypt and dwindling international reserves have brought the administration around to reform.

In that respect, el-Sisi's administration has already seized the initiative on a broad array of reforms targeted at addressing domestic energy, civil service bureaucracy, tax policy and the privatization of state-owned enterprises. The previously mentioned IMF agreement is expected to not only support the government's structural reform efforts but also to bring about greater exchange rate flexibility and improved domestic FX liquidity in the near term (Exhibit 1). The lack of these conditions has been challenging for foreign investors and Egyptian corporates alike. Importantly, this monetary flexibility will inevitably come by way of a meaningful devaluation—likely greater than 30%—eroding returns for investors in locally held assets near term, but supporting renewed foreign flows and a rebuilding of central bank reserves.

**Exhibit 1: Egypt central bank reserves (left)
and exchange rate for spot price and 12-month forward (right)**



Source: Arqaam Capital, Haver Analytics and Bloomberg

The renewed push for reform in Egypt represents a particularly attractive long-term opportunity, in part because of the latent potential of Egypt's economy. As of 2015, the country had a population of 92 million, GDP per capita of USD 3,600, a market capitalization-to-GDP of just 3% (below the frontier average of 11%), and local equity market valuations about 30% below those of peer markets in forward P/E terms. Though simplistic, these characteristics reinforce the ways in which Egypt represents an attractive convergence opportunity if key constraints to economic productivity and capital flows are removed.

Headwinds remain, but we see light at the end of the tunnel. There are ample rewards available for investors that are cognizant of the risks at play and can identify equity stories that will either rise above or benefit from the ongoing structural adjustments and FX liberalization.

While reform progress is never guaranteed, we see several reasons to believe that political momentum is building for reform in Egypt. If that view proves true, investment returns will likely follow. Though our Egyptian positioning remains selective at present, we expect conditions on the ground to become increasingly constructive as reform programs take effect, foreign capital enters the market, and the coming devaluation shrinks into the rearview mirror.

Until next month,



Chad Cleaver
Lead Portfolio Manager



Rich Thies
Portfolio Manager

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 September 21, 2016 and are subject to change at any time due to changes in market or economic conditions. The commentary has not been updated since September 21, 2016 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.

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 MANAGEMENT¹

\$94 million
Total Strategy Assets: \$94 Million

FIRM ASSETS UNDER MANAGEMENT

\$8.6 billion

INVESTMENT UNIVERSE

Frontier markets all cap equity

INVESTMENT STYLE

Growth equity

AVAILABLE INVESTMENT VEHICLES:

- » Separately managed account
- » Mutual Funds

PORTFOLIO MANAGERS



Chad Cleaver, CFA
Lead Portfolio Manager
14 years experience



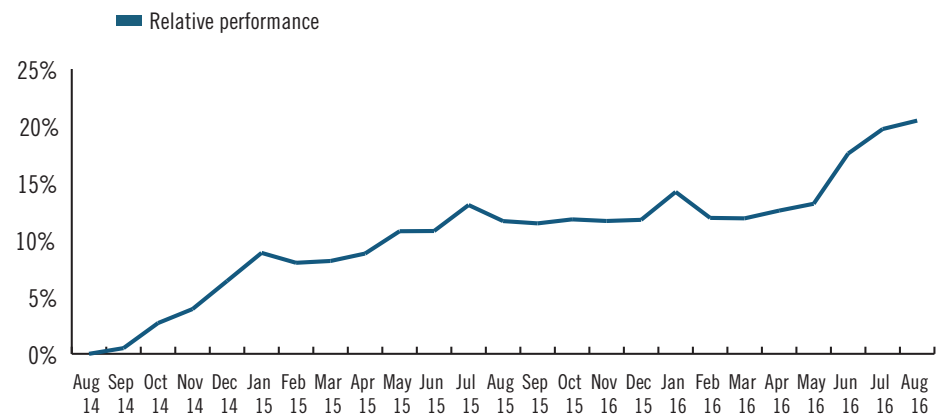
Richard Thies
Portfolio Manager
9 years of investment experience

% AVERAGE ANNUAL TOTAL RETURN (as of 8/31/16)

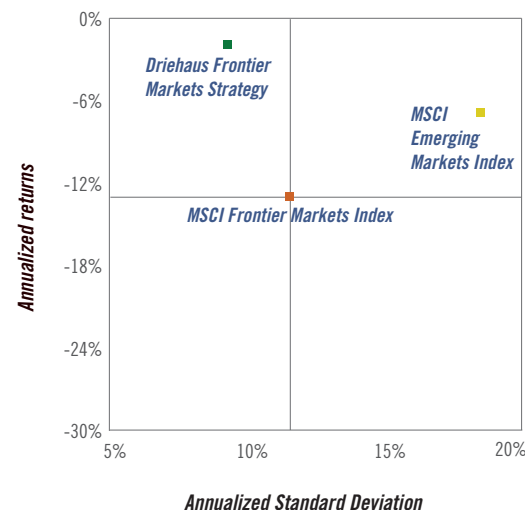
	MTH	QTR	YTD	1 Year	Inception ²
Driehaus Frontier Markets Composite(Gross)	-0.31	3.60	11.69	8.86	-0.60
Driehaus Frontier Markets Composite (Net)	-0.47	3.30	9.95	6.83	-1.89
MSCI Frontier Markets Index	-1.12	0.13	0.00	-3.40	-12.95

CUMULATIVE RELATIVE PERFORMANCE, (NET OF FEES) SINCE INCEPTION²

Driehaus Frontier Markets strategy returns minus MSCI Frontier Markets Index returns



RISK VS. RETURN, NET OF FEES (SINCE INCEPTION)²



Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance
Data as of 8/31/16.

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.**
¹Composite assets include those accounts that meet the composite objectives and eligibility requirements. Please see notes at the end of this presentation for descriptions of composite objectives and eligibility requirements. ²9/1/2014.

TOP 5 HOLDINGS¹ (as of 7/31/16)

Company		Country	% of Strategy
Safaricom Limited	Telecommunication Services	Kenya	4.7%
Banca Transilvania SA	Financials	Romania	3.7%
Zenith Bank PLC	Financials	Nigeria	3.3%
Vietnam Dairy Products Corp.	Consumer Staples	Vietnam	3.0%
Commercial International Bank (Egypt) SAE Sponsored GDR RegS	Financials	Egypt	2.9%

SECTOR WEIGHTS

	Strategy	Benchmark	Active Weights
Consumer Discretionary	3.6%	1.2%	2.4%
Consumer Staples	11.2%	6.4%	4.8%
Energy	1.3%	9.0%	-7.7%
Financials	35.1%	47.6%	-12.5%
Health Care	4.7%	3.1%	1.6%
Industrials	6.9%	2.8%	4.2%
Information Technology	0.0%	1.1%	-1.1%
Materials	9.7%	8.4%	1.3%
Real Estate	2.6%	5.0%	-2.3%
Telecomm. Services	7.4%	13.8%	-6.4%
Utilities	5.6%	1.5%	4.0%
Cash	11.8%	0.0%	11.8%
Unassigned	0.0%	0.0%	0.0%

COUNTRY WEIGHTS

	Strategy	Benchmark		Strategy	Benchmark
Argentina	5.9%	14.6%	Oman	0.0%	4.3%
Bahrain	0.0%	3.2%	Pakistan	13.6%	10.0%
Bangladesh	10.5%	2.5%	Panama	0.9%	0.0%
Botswana	0.5%	0.0%	Qatar	0.6%	0.0%
Bulgaria	0.0%	0.1%	Romania	6.9%	3.8%
Cambodia	1.5%	0.0%	Saudi Arabia	0.2%	0.0%
Canada	1.0%	0.0%	Senegal	0.8%	0.0%
Colombia	1.2%	0.0%	Singapore	1.3%	0.0%
Croatia	0.9%	1.4%	Slovenia	0.0%	2.0%
Egypt	4.8%	0.0%	Srb	0.0%	0.2%
Estonia	0.8%	0.5%	Sri Lanka	2.6%	1.8%
Georgia	0.8%	0.0%	Tanzania	0.8%	0.0%
Jersey	0.4%	0.0%	Thailand	1.0%	0.0%
Jordan	0.0%	1.1%	Togo	0.0%	0.3%
Kazakhstan	0.0%	1.7%	Tunisia	0.0%	0.6%
Kenya	7.2%	5.0%	United Arab Emirates	3.7%	0.0%
Kuwait	0.0%	18.0%	United Kingdom	1.2%	0.0%
Lebanon	0.0%	3.4%	United States	0.9%	1.1%
Lithuania	0.0%	0.1%	Vietnam	12.2%	4.2%
Mauritius	0.0%	3.2%	Cash	11.8%	0.0%
Morocco	1.0%	8.6%			
Nigeria	5.0%	8.2%			

PORTFOLIO CHARACTERISTICS²

	Strategy	Benchmark
Number of Holdings	89	117
Weighted Avg. Market Cap (M)	\$3,105	\$4,055
Median Market Cap (M)	\$866	\$1,512
Est. 3-5 Year EPS Growth	11.8%	16.1%
Active Share	77.16	n/a
Market Cap Breakout		
< \$5 billion	83.4%	76.0%
\$5 - \$15 billion	15.3%	23.6%
> \$15 billion	1.2%	0.4%

Sources: Drieaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance
Data as of 8/31/16. Benchmark: MSCI Frontier Markets Index

¹Holdings subject to change.

²Portfolio 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. The indices are not actively managed and do not reflect the deduction of any advisory or other fees and expenses.

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 33 countries as frontier markets, 24 of which are included in the MSCI Frontier Markets Index.

The Morgan Stanley Capital International Emerging Markets Index (MSCI Emerging Markets Index) is a market capitalization-weighted index designed to measure equity market performance in 22 global emerging markets.

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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