DRIEHAUS
CAPITAL MANAGEMENT

Driehaus Small/Mid Cap Growth Strategy Summary

3RD QUARTER 2023

Market Overview

Yields, yields, yields! The equity market action in the September quarter was heavily dominated by the direction of US Treasury yields. Equities pulled back sharply in price over the last two months of the quarter as the 10-year Treasury yield (and other longer maturities) broke out to new highs in the initial days of August and rallied over 61 basis points by the end of the quarter. This dynamic of higher yields and lower equities occurred as the US economy continued to grow and inflation continued its path lower.

The Russell 2500 Small/Mid (SMID) cap indices saw mid-single digit percentage gains in July, outperforming large caps, as earnings were generally better than expected and long-term yields remained in range. Then in August and September the Russell SMID indices declined nearly 10% as yields rose to new highs, underperforming large caps.

Market leadership and breadth by sector was weak during the quarter. Most sectors in the Russell 2500 Growth benchmark declined for the quarter except the energy sector which was up 21%, as crude oil prices rallied. Unsurprisingly, all these sector declines occurred during the last two months of the quarter.

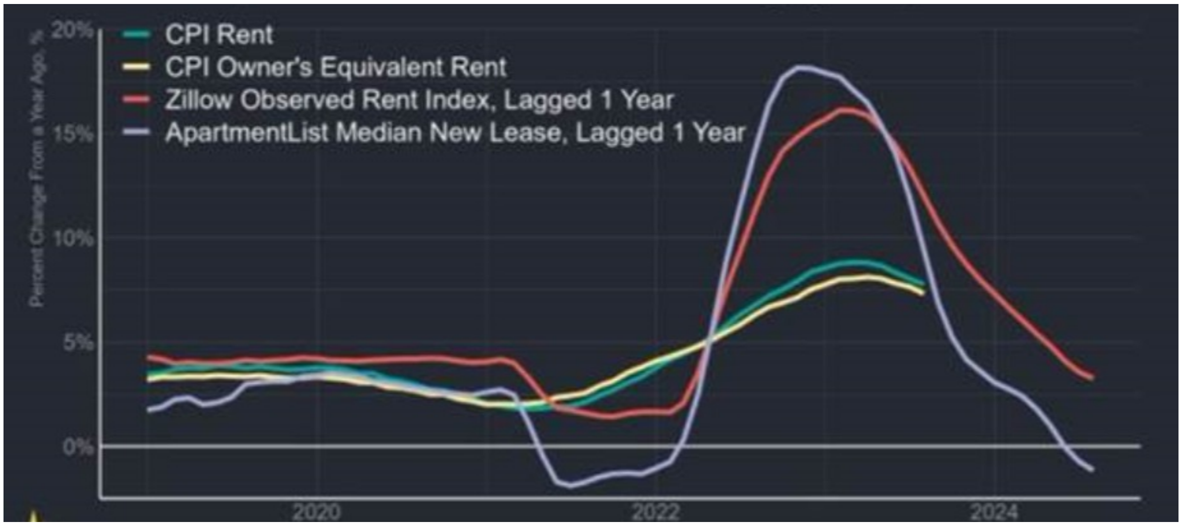
From a macro perspective, the US economy continues to grow and there are no immediate signs of a recession. US GDP likely grew over 2-3% year-over-year. The labor market remains very resilient with strong job growth and low unemployment claims. Key themes such as reshoring, infrastructure and construction for new manufacturing facilities are showing clear signs of strength.

Inflation

Inflation remains the key factor to monitor. We continue to see progress towards lower rates of inflation. The four primary Covid-related drivers of inflation (excess money, excess savings, supply chain disruptions and labor shortages) have all normalized. Most components of CPI (Consumer Price Index) continue to trend lower. We expect inflation to continue to moderate towards 2-3% in 2024. One key reason why CPI is not at that level already is because rents are still elevated. Rent inflation in the CPI is calculated on a lagged basis. Looking at more real-time private measurements of rent inflation shows that rents have already fallen. See Exhibit 1 on page 2.. Rents have fallen because the market responded with a huge boom in new apartment unit (multi-family housing) growth. So, we expect overall CPI to continue to fall as CPI's calculation of rents catches up to current trends. Overall, the positive trends in inflation support the idea that the Federal Reserve is at or near the end of its rate hikes.

Exhibit 1: Leading Indicators Show Rent Deceleration

Zillow and ApartmentList data show rent growth decelerating significantly over the last year



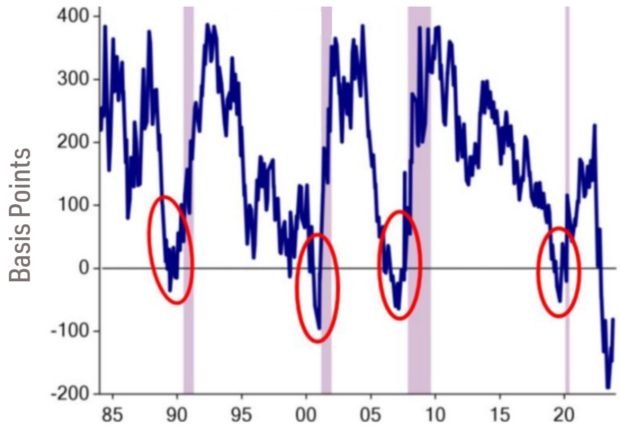
Source: Bureau of Labor Statistics, Zillow and ApartmentList

What is driving treasury yields higher?
We don't believe the rising yields during the quarter are a function of higher inflation. Inflation expectations remain well anchored when looking at the 10-year Treasury bond yield minus the 10-year TIPS yield. We also don't believe rising yields are a function of higher expected economic growth. Rather, we believe it is simple supply and demand of US Treasuries that drove yields higher. The historical correlation between US GDP growth and the 10-year yield began to break down in September, as rising supply of Treasuries and political dysfunction in Congress likely contributed to the higher yields. Debt issuance is coming in larger than expected as the deficit is being underestimated. US debt service costs have risen and recently hit 14% of tax revenue. In prior decades, this threshold led to change in fiscal policy from stimulus to austerity. Time will tell if this current Congress is up to the task. Also, some large foreign countries that have been traditional large buyers of treasuries are seeing their treasury holdings decline due to currency and yield curve control dynamics. Also, during the current QT (Quantitative Tightening) policy, the Fed is another large buyer that is no longer a net buyer of Treasuries.

One key dynamic currently in the Treasury market is that short-term yields (e.g., the 2-year Treasury) have not made a new high recently and are still below March highs. There are pros and cons to this. Positively, the 2-year yield is often correlated with the Fed Funds Rate (FFR), so it may suggest that the Fed is done raising the FFR. Also, historically the equity market bottoms when the 2-year yield makes its last high of a cycle. However, as long-term rates have rallied and short-term rates have not, that means the yield curve is steepening. While in most time periods, that is a positive versus an inverted yield curve. However, since we have not had a recession, history shows that this dynamic often precedes a recession. See Exhibit 2 on page 3 which shows that the last 4 recessions were preceded by a steepening yield curve. Since monetary policy works on a "long and variable lag", we cannot yet eliminate the possibility of a recession next year despite relatively few tangible signs of one currently. While no one wants a recession, if a recession does happen next year that may answer the riddle why small caps have lagged since 2021 lows. Small caps typically lead off a market bottom and out of a recession (Exhibit 3) by a wide margin and often for long sustained periods (four to six years looking at past market cycles) post the market lows.

Exhibit 2: US 10-Year Bond Yield Minus US 3-Month Yield

October 3, 2023: -81bp



Source: Evercore ISI

Exhibit 3: If we have entered a new period of the Yield Curve re-steepening, long-term market history shows Small Caps tend to outperform from here

SPX Perf. When UST Market is Bear Steepening ('77 - Current)	+1W	+2W	+1M	+3M	+6M	+12M
Average	-0.03%	-0.11%	0.15%	0.89%	2.97%	4.27%
Pct. Pos.	48.5%	55.1%	56.6%	61.0%	64.3%	57.9%

RTY Perf. When UST Market is Bear Steepening ('77 - Current)	+1W	+2W	+1M	+3M	+6M	+12M
Average	-0.01%	-0.06%	0.59%	1.43%	4.37%	10.17%
Pct. Pos.	49.6%	51.4%	51.1%	65.0%	66.8%	57.9%

Source: Bloomberg, Jefferies

The valuation difference between small caps and large caps continues to look quite favorable for small caps. See Exhibit 4 on page 4. While we have highlighted this chart previously, we believe it is as relevant as ever. Going back to the inception of the Russell 2000 in 1980, small caps typically trade at a premium to the Russell 1000 (large cap index). It's not shown below, but note, the chart for the growth indices (Russell 2000 Growth versus the Russell 1000 Growth) looks very similar to these two core indices. Importantly, there have been only two periods when small caps traded at deep discount to large caps, in the early 2000s and now. We believe, as the current market dynamics normalize (FOMC policy, inflation, potential recession, etc.) there is a long way to go for small caps to re-rate higher through multiple and earnings expansion.

As highlighted in the June quarter commentary, one possible reason why the US has not seen a recession yet is the concept of rolling recessions. Multiple key industries have experienced a recession over the past 18 months. As these downturns occurred at different intervals, they didn't tip the economy into a recession in aggregate terms and now many of them appear to be in expansion mode.

Exhibit 4: Small Caps Remain Historically Cheap vs Large Caps

Relative Forward P/E: Russell 2000 vs 1000, 1985-8/31/2023

Source: BofA Global Research

Performance Review

For the September quarter, the Driehaus Small/Mid Cap Growth strategy outperformed its benchmark. The Strategy declined 5.52%, net of fees, while the Russell 2500 Growth Index fell sharply as it was down 6.84%, the Russell 2000 Growth depreciated 7.32%, and the S&P 500 fell 3.27%[1]. By month, the Strategy outperformed in each of the three months.

By sector, the September quarter performance is summarized as follows:

Outperforming Sectors:

Healthcare

Healthcare outperformed by 104 basis points versus the benchmark while maintaining an underweight by about 900 basis points as the sector remains challenging. Our healthcare holdings fell 12.9% versus negative 15.6% for the benchmark. The sector did detract 174 basis points from the strategy's absolute performance for the quarter. Biotech/Pharma outperformed by 109 basis points on a relative basis, while it was flat in absolute terms. This performance in biotech was aided by a strong commercial update for one holding, and robust clinical data from another, a leading endocrinology company.

Medical devices proved challenging as the price action was weak. The new obesity drugs, GLP-1s, caused multiple compression across many groups as the market has concluded that less obesity will lead to reduced patients for several med device companies. We believe it is premature to conclude that the new obesity drugs will materially reduce the market potential and growth outlook for some of these innovative device companies. Market penetration of some of these new devices is in the single digit range, and adoption of GLP-1s is well under 1%.

[1]The performance data represents the strategy's composite of small/mid cap growth accounts managed by Driehaus Capital Management LLC (DCM). These returns are estimated for the period as the underlying accounts' data is yet to be reconciled to the custodian bank. Net of fee returns reflect the payment of advisory fees and in some instances, other fees and expenses such as administrative and custodian fees while the gross of fee returns do not. Both are net of brokerage commissions charged to the accounts and reflect the reinvestment of income and other earnings. 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.

Within biotech/pharma we are quite encouraged by recent and expected readouts of clinical trial results, clinical pipeline updates and M&A. Our holdings have very promising and innovative clinical stage therapies demonstrating superior efficacy, safety and/or dosing in important disease indications, such as obesity, epilepsy, endocrinology, diabetes, neurology, autoimmune, vaccines and oncology. We anticipate promising results from upcoming clinical trials as they prove successful outcomes.

Technology

Technology outperformed 35 basis points versus the index, however, the sector did detract 102 basis points from absolute performance. Our holdings modestly outperformed, falling 4.99% versus negative 5.97% for the index. By sub-industry, the strategy had positive relative outperformance in hardware, communications equipment, and semiconductors.

Semiconductors and semi cap equipment's outperformance came from several semi cap equipment holdings levered to AI and the adoption of the semiconductor material silicon carbide (SiC) in EVs (electric vehicles).

We maintain an overweight to the tech sector by about 400 basis points. Our exposure to the tech sector rose nearly 90 basis points during the quarter.

Industrials

Industrials added 28 basis points in relative terms but detracted 150 basis points in absolute terms. Our holdings fell 5.4%, less than the 6.2% drop for the index. The portfolio remains overweight the sector at 28% versus 19.4% for the index. We maintain an overweight as we see attractive holdings and several strong end market themes within the sector. These themes include reshoring, commercial aerospace, and non-residential construction.

Consumer Staples

Staples outperformed the index by 16 basis points due to security selection and contributed 5 basis points in absolute terms. Our holdings rose 2.6% for the quarter, outperforming the 1.05% gain for the benchmark holdings. The sector's outperformance came from a handful of stocks. One was a specialty beverage company that gained nearly 15% while posting a strong earnings surprise. A few specialty food companies also performed well after reporting strong earnings and market shares gains. We continue to maintain an overweight, 6.6% versus 3.9% for the index, due to the attractiveness of multiple holdings with strong brands which are outperforming in large markets.

Energy

Energy was the lone strong sector during the quarter, as the price of crude oil rebounded. The sector contributed 5 basis points in relative returns and 81 basis points in absolute returns. Our holdings gained nearly 20% versus 21% for the index holdings. The exposure in the sector includes a handful of oil service companies levered to offshore and international markets. These markets are seeing strength in spending and rising day rates. We also had strong performance from a uranium producer as uranium prices made new multi-year highs. We currently have no exposure to the exploration and production industry as we see more favorable opportunities within oil service and equipment. We increased our exposure to the sector during the quarter, finishing with an overweight at 5.8% versus 5.2% for the index.

Underperforming Sectors:

Financials

Financials detracted 11 basis points on an absolute basis and 34 basis points versus the index. Our holdings fell 2.6% versus positive 0.6% for the benchmark holdings. We again saw strong performance from a specialty insurer that continues to outgrow the industry while posting strong earnings. The strategy currently maintains no exposure to banks.

Consumer Discretionary

Consumer discretionary remains a difficult, volatile sector. The sector detracted 27 basis points in relative terms and 105 in absolute terms. Our holdings declined 9.7% versus negative 7.1% for the index. We did see fundamental strength in a variety of consumer holdings, but the price action was weak as multiples compressed. We reduced exposure to the sector during the quarter and maintain an underweight position at 9.1%, versus 12.9% for the index.

Outlook & Positioning

Near-term market conditions continue to be heavily influenced by the direction of long-term yields. The path of inflation, Fed monetary policy and recession concerns remain the additional key focus areas for market participants. Additionally, the very recent, deadly attack by Hamas on Israel creates a complex new risk in the region that will need to be monitored. Yet we are seeing encouraging signs across many industries and individual holdings. From a technical standpoint the two plus month sell-off has left the market at extremes to the downside. We are also exiting the weakest seasonal period of the year for equities with seasonal factors getting more positive in mid-October. Valuations remain appealing for many parts of the market and are significantly so for small caps compared to large caps. As detailed above, smaller cap stocks in general continue at their second largest discount to large caps over the past 40 years. While the case for a recession has conflicting variables for and against, the market has been discounting a recession for well over a year. Intermediate term, the case for small cap stocks is very compelling as history shows that small caps typically materially outperform during the first five years or more of a new market cycle.

In terms of portfolio positioning, we have an attractive mix of secular and cyclical growth holdings. By sector, industrials are our largest absolute weight, followed by technology, healthcare, then consumer discretionary. On a relative basis, the strategy is overweight industrials, technology, consumer staples, and energy. The strategy is underweight health care, consumer discretionary, financials and materials.

Driehaus Small/Mid Cap Growth Strategy

% Month-End Performance (as of 9/30/23)

				Annualized				
	MTH	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception[2]
Driehaus Small/Mid Cap Growth Composite (Gross)	**-6.00**	**-5.45**	**9.68**	**10.30**	**3.19**	**9.67**	**11.89**	**14.14**
Driehaus Small/Mid Cap Growth Composite (Net)	**-6.02**	**-5.52**	**9.43**	**9.97**	**2.73**	**9.12**	**11.23**	**13.46**
Russell 2500® Growth Index (Benchmark)	-6.02	-6.84	5.63	10.61	1.01	4.05	8.37	10.26

Top 5 Holdings[5] (as of 8/31/23)

Company	Sector	% of Strategy
Super Micro Computer, Inc.	Information Technology	2.9
Celsius Holdings, Inc.	Consumer Staples	2.4
Kinsale Capital Group, Inc.	Financials	2.3
Cameco Corporation	Energy	2.3
MongoDB, Inc. Class A	Information Technology	2.3

Sector Weights (%)

	Strategy	Benchmark	*Active Weights*
Communication Services	2.4	2.3	*0.1*
Consumer Discretionary	9.1	12.9	*-3.8*
Consumer Staples	6.6	3.9	*2.7*
Energy	5.8	5.1	*0.6*
Financials	7.6	8.7	*-1.1*
Health Care	11.4	20.4	*-9.0*
Industrials	28.8	19.1	*9.6*
Information Technology	25.6	21.4	*4.3*
Materials	2.1	3.6	*-1.6*
Real Estate	0.0	1.4	*-1.4*
Utilities	0.0	1.1	*-1.1*
Cash	0.7	0.0	*0.7*

Key Features

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

Facts

Inception Date	2/1/12
Composite Assets Under Management[1]	$1.4B
Firm Assets Under Management	$14.1B
Investment Style	Growth Equity
Available Investment Vehicles:	Separately Managed Account Mutual Fund

Portfolio Characteristics[3]

5-year period	STRATEGY	BENCHMARK
Information Ratio	0.78	n/a
Beta	0.96	1.00
Standard Deviation	23.68	23.70
Tracking Error	6.53	n/a
R-squared	0.93	1.00

Market Cap Breakout	STRATEGY	BENCHMARK
< $2.5 billion	4.8%	24.7%
$2.5 - $15 billion	71.5%	72.5%
> $15 billion	23.7%	2.7%

	STRATEGY	BENCHMARK
Number of Holdings	105	1,278
Weighted Avg. Market Cap (M)	$12,438	$5,798
Median Market Cap (M)	$7,491	$1,389
Active Share (3-year avg.)[4]	84.50	n/a

Portfolio Management

Jeff James , Portfolio Manager
33 years of industry experience

Michael Buck, Portfolio Manager
23 years industry experience

Prakash Vijayan, Assistant Portfolio Manager
17 years industry experience

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance Data as of 9/30/23.

The performance data represents the strategy's composite of small/mid cap growth accounts managed by Driehaus Capital Management LLC (DCM). These returns are estimated for the period as the underlying accounts' data is yet to be reconciled to the custodian bank. Net of fee returns reflect the payment of advisory fees and in some instances, other fees and expenses such as administrative and custodian fees while the gross of fee returns do not. Both are net of brokerage commissions charged to the accounts and reflect the reinvestment of income and other earnings. 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.

[1]Composite assets include those accounts that meet the composite objectives and eligibility requirements. Please see the notes at the end of this document for additional information. [2]2/1/2012. [3]Portfolio characteristics represent the strategy's composite. [4]Data is calculated monthly. [5]Holdings subject to change.

Driehaus Small/Mid Cap Growth Strategy

Sector Performance Attribution 3rd Quarter – 6/30/23 to 9/30/23

	Driehaus Small/Mid Cap Growth Composite (Port) (%)		Russell 2500 Growth Index[1] (Bench) (%)		Attribution Analysis (%)		
GICS Sector	Port Avg. Weight	Port Contrib To Return	Bench Avg.Weight	Bench Contrib To Return	Allocation Effect	Selection + Interaction	Total Effect
Communication Services	3.04	-0.52	2.36	-0.32	-0.04	-0.12	-0.16
Consumer Discretionary	11.53	-1.05	13.02	-0.95	0.02	-0.28	-0.26
Consumer Staples	5.63	0.05	3.80	0.01	0.07	0.09	0.16
Energy	4.60	0.81	4.65	0.77	-0.01	0.07	0.06
Financials	5.34	-0.11	8.51	-0.01	-0.22	-0.11	-0.33
Health Care	12.46	-1.74	21.21	-3.38	0.75	0.29	1.04
Industrials	28.05	-1.50	19.17	-1.25	0.04	0.28	0.32
Information Technology	24.55	-1.02	20.95	-1.20	0.00	0.36	0.36
Materials	2.08	-0.23	3.70	-0.33	0.03	-0.04	0.00
Real Estate	0.00	0.00	1.49	-0.16	0.05	0.00	0.05
Utilities	0.00	0.00	1.13	-0.08	0.00	0.00	0.00
Cash	2.72	0.00	0.00	0.00	0.34	0.00	0.34
Other[2]	0.00	-0.09	0.00	0.00	-0.09	0.00	-0.09
Total	100.00	-5.41	100.00	-6.88	0.93	0.54	1.48

Data as of 6/30/23

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

[1]The Russell 2500® Growth Index measures the performance of those Russell 2500® Index companies with higher price-to-book ratios and higher forecasted growth values. The performance data includes reinvested dividends. [2]Other refers to operating expenses and securities not recognized by Factset.

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.

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.

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.

Notes // Driehaus Small/Mid Cap Growth Strategy

FIRM DEFINITION
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 and credit strategies to individuals, organizations, and institutions. The firm consists of all accounts managed by DCM (the Company).

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

COMPOSITE DESCRIPTION
The Small/Mid Cap Growth Composite was created in February 2012. An account is considered to be a small/mid cap growth account if it primarily invests in U.S equity securities of high growth companies with market capitalization ranges at the time of purchase as those included in the Russell 2500® Growth Index between $500 million and $15 billion. However, there is no requirement to be exclusively invested in small cap and mid cap stocks, and the accounts have invested, to a lesser extent, in stocks with a smaller or larger capitalization from time to time.

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

Valuations and returns are computed and stated in U.S. dollars. Returns are presented on a pretax basis.

Past performance is not indicative of future results. All investments have risks and you could lose money.

Additional information regarding policies for valuing investments, calculating performance and preparing GIPS Reports are available upon request. A list of composite descriptions and a list of broad distribution pooled funds are available upon request. Please contact our sales, marketing and relationship management department at 312-932-8621.

RISKS
All investments have risks. At times, a significant portion of an account'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 strategy with a smaller asset base, and the strategy 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 strategy will experience high rates of portfolio turnover.

INDICES
The Russell 2500® Growth Index measures the performance of the small to midcap growth segment of the U.S equity universe. It measures the performance of those Russell 2500® Index companies with higher growth earning potential as defined by FTSE Russell's leading style methodology. Data includes reinvested dividends.

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TERMS
Active share represents the share of portfolio holdings that differ from the benchmark index holdings. **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. **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. **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** is a divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. This is often in the context of a hedge or mutual fund that did not work as effectively as intended, creating an unexpected profit or loss instead.

For more information about Driehaus Capital Management LLC, please contact us at 312.932.8621.