Investment Themes for Choppy Waters

As we approach the halfway mark for the year, we have taken the opportunity to refresh the central themes that we are focusing on for the second half of the year. As the market marched higher during the past several months, we have positioned the portfolio to capitalize on continued choppy investment waters. Within this environment, we have developed a set of investment themes that we believe can thrive, including:

» 'Baby with the Bathwater' Opportunities
» Targets with Upside Optionality
» Callable Global Financial Hybrids
» Shareholder Dislocation Opportunities

While not an exhaustive list, it provides a broad overview of where we are looking for new investment ideas. And while each theme is distinct, they all share qualities of favorable asymmetry and the power of owning optimality.

Investment Theme Overviews

'Baby with the Bathwater' Opportunities. The increased antitrust and regulatory scrutiny of M&A deals has been a prominent theme in 2016, and has resulted in some large deal breaks. Such tumult warrants caution, but it also creates opportunities.

» Government involvement and protection is bifurcating merger-arb spreads. This has created an environment where some deals are universally perceived as safe versus others that are viewed to be 'untouchable'.
» Now, just because deals look alike doesn't mean that they actually are. Seemingly similar deal spreads can be vastly different.
» The concentrated nature of traditional event-space investing leads to quick reactions of de-risking and shifts in positioning
» Extrapolating circumstantial evidence to make broad read-throughs can produce misleading outcomes.

Targets with Upside Optionality. We have also found interesting opportunities in target companies with pending shareholder votes. Such situations can offer upside optionality, either via increased merger consideration or as a standalone going concern if the consideration offered is insufficient.

We've keyed in on situations where:

» The standalone valuation of the company supports the ability to get comfortable with the potential for a downside scenario.
» Owners of the shareholder vote hold a powerful hand.
» The ability to realize a revised proposal or additional players to enter the arena is real.
» Risk-reward is skewed favorably—on an order of magnitude of multiples in our favor

Callable Global Financial Hybrids. A number of financial hybrids (e.g., preferred equities) have been called by global banks over the past two months. There are several reasons why this is occurring:

- Their eligibility as bank tier 1 or 2 capital is being phased out for regulatory reasons.
- Banks are well capitalized now, as compared to several years ago.
- Global rates are extraordinarily low and cheap funding can be obtained in securities that are Volker/Basel III compliant.
- Revenue growth opportunities for banks are sparse, so these balance sheet actions can be accretive and enhance return on capital.

We think these reasons are likely to keep activity elevated over the coming 18 months. In this regard, we like the securities where:

- The bank's solvency should not come into question during risk-off periods.
- The bank has already called similar securities.
- Management has indicated their intention to continue to call the hybrids that are losing equity capital eligibility.
- Borrowing rates and refinancing options make the call/tender of hybrids a sound economic decision.

Shareholder Dislocation Opportunities. A slew of corporate actions amid the backdrop of a lengthening credit cycle finds companies quick to pounce on opportunities, affecting the shareholder base. In recent months, corporate activity has picked up as management teams feel compelled to utilize financial markets to express strategic views and reposition their balance sheets, including:

- Tax-free and taxable spins that greatly churn their shareholder base. This high turnover seems irrespective of fundamental valuation.
- Dilutive financing that is actually…accretive. Secondary issuance placed at a sizeable discount so it gets into "the right hands".
- Convertible bond supply used as a lever to reduce interest expense and optics of debt metrics. The largest mandatory convertible issuance ($5.5 billion) in the past several years priced in the second quarter.
- Energy companies tapping the market for round three of capital raises.
- Splits and spin offs are picking up again as unloved assets and desired business segment transactions are resurfacing in the marketplace.

Themes on Deck for the Second Half of 2016

Lastly, there are a number of additional themes we have identified that are already in use or that we expect to play out in the back half of the year.

- Participate in dilutive financing used for balance sheet relief
- Get paid to wait—carry as part of total return
- Avoid political hot topics—'flight to political safety'
- Legal risk overhang opportunities
- Buy 'merican!—a resurgence of staying domestic
- Get exposure to levers that corporates can pull to enhance revenue and EPS growth

New Trade

This month, we are highlighting a new trade that piggybacks on many of the thematic points we have emphasized recently. The fund initiated a long equity position coupled with put options of a technology company whose vast majority of enterprise value is attributed to its intellectual property (IP) portfolio. While the company is in the process of acquiring another technology player known for its IP portfolio, and we are also playing the merger-arb spread on that deal, we find the acquirer's own IP situation the most compelling aspect of both businesses.

The company has had contractual agreements with the "Big Four" cable service providers (SPs) over the last decade, and these contracts came up for renewal within the past 12 months. The Big Four account for about 30% of the company's revenue, including its highest margin revenue.

As mentioned, all four of the contracts came due in 2015 and early 2016. As market anxiety increased surrounding renewals, the equity sold off about 40%. In late 2015, the first of the Big Four renewed its contract for seven years. This past spring the second followed suit. Currently, the third partner is in a standstill agreement, while the fourth has gone to litigation.

With the precedent already set from two of the main partners, and a third negotiating in good faith under a standstill agreement, we think it is likely that all of the Big Four will renew their contracts. Even under the scenario where the market receives closure with respect to the standstill partner, we believe there is material upside to the stock, on the order of 30% or more to our entry point.

In the interim, we have bought put options to reduce exposure to the downside implications from a break in negotiations. If all four partners renew their contracts and the deals are in place, Street estimates will incorporate the additional revenue into their respective models, leading to a significant rerate in the valuation of the equity.

Until next month,

K.C., Michael, Yoav & Matthew

K.C. Nelson
Portfolio Manager

Michael Caldwell
Assistant Portfolio Manager

Yoav Sharon
Assistant Portfolio Manager

Matthew Schoenfeld
Assistant Portfolio Manager

DEVDX Performance Review

For May, the Driehaus Event Driven Fund returned 1.89% with 60% of the volatility of the S&P 500 Index, which returned 1.80%.[1] The equity catalyst-driven trade type (+1.76%) was the most significant contributor to returns for the month, followed by the risk arbitrage trade type (+0.62%). The most significant detractors for the month were the portfolio hedges (-0.24%) and the deep value trade type (-0.12%).

The largest contributor for the month was a biotech company that received sooner-than-expected favorable language from the FDA regarding its phase III data (+67 bps). The second largest contributor was a for-profit education equity holding we highlighted last month. The company received shareholder approval for the upcoming buyout transaction after terms were improved (+58 bps). The third largest contributor was an equity catalyst-driven biotech name that will be presenting data in the back half of the year (+56 bps).

The top three underperformers for the month each detracted 16 basis point from the fund's return. They included a pending merger that experienced spread widening, a regional bank short that rallied as the performance of the energy and financial sectors turned, and a deep value equity holding that saw continued leakage post disappointing earnings, and is an exposure the fund has exited entirely.

PERFORMANCE

MONTH-END – 5/31/16

	MTD	YTD	1 Year	Since Inception[2]
Driehaus Event Driven Fund	1.89%	-1.32%	-6.81%	0.31%
S&P 500 Index[3]	1.80%	3.57%	1.72%	11.05%
Citigroup 3-Month T-Bill Index[4]	0.02%	0.10%	0.12%	0.06%

CALENDAR QUARTER-END – 3/31/16

	QTR	YTD	1 Year	Since Inception[2]
Driehaus Event Driven Fund	-3.05%	-3.05%	-8.17%	-0.35%
S&P 500 Index[3]	1.35%	1.35%	1.78%	10.88%
Citigroup 3-Month T-Bill Index[4]	0.05%	0.05%	0.08%	0.05%

ANNUAL FUND OPERATING EXPENSES[5]

Management Fee 1.00%
Other Expenses Excluding Dividends & Interest on Short Sales 0.43%
Dividends and Interest on Short Sales 0.43%
Total Annual Fund Operating Expenses 1.86%

[1]**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. Performance data represents the rate that an investor would have earned (or lost), during the given month, on an investment in the Fund (assuming reinvestment of all dividends and distributions). Average annual total return reflects annualized change. **Since Fund performance is subject to change after the month-end, please call (877) 779-0079 or visit www.driehaus.com for more current performance information.**

[2]The Driehaus Event Driven Fund has an inception date of August 26, 2013. [3]The Standard & Poor's ("S&P") 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group. It is a market-weighted index (stock price times number of shares outstanding), with each stock's weight in the index proportionate to its market value. [4]The Citigroup 3-Month T-Bill Index is designed to mirror the performance of the 3-Month U.S. Treasury Bill. The Citigroup 3-Month T-Bill Index is unmanaged and its returns include reinvested dividends. [5]Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated April 30, 2016. It is important to understand that a decline in the Fund's average net assets due to unprecedented market volatility or other factors could cause the Fund's expense ratio for the current fiscal year to be higher than the expense information presented.

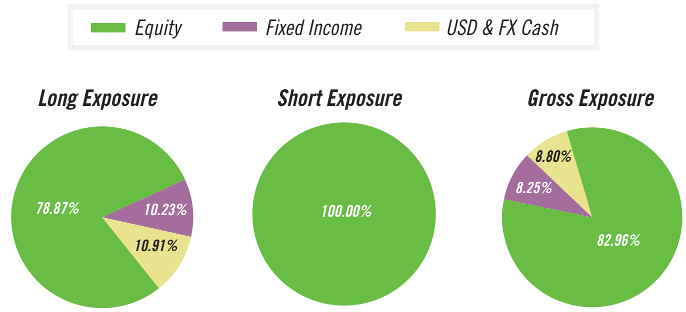
Investments in overseas markets can pose more risks than U.S. investments, and share prices are expected to be more volatile than that of a U.S.-only fund. The Driehaus Event Driven Fund invests in foreign securities, including small and mid cap stocks, which may be subject to greater volatility than other investments. In addition, returns of this Fund will fluctuate with changes in stock market conditions, currency values, interest rates, foreign government regulations, and economic and political conditions in countries in which this Fund invests. These risks are generally greater when investing in emerging markets. These and other risk considerations are discussed in the prospectus for this Fund. At times, a significant portion of the 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. Stocks of medium-sized companies tend to be more volatile in price than those of larger companies and may have underperformed the stocks of small and large companies during some periods. In addition, investments in medium-sized companies may be more susceptible to particular economic events or competitive factors than are larger, more broadly diversified companies. Growth stocks may involve special risks and their prices may be more volatile than the overall market. The Fund, in addition to investing in unrated and investment grade bonds, may also invest in junk bonds, which involve greater credit risk, including the risk of default. The prices of high yield bonds are more sensitive to changing economic conditions and can fall dramatically in response to negative news about the issuer or its industry, or the economy in general. The use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is a risk that changes in the value of a derivative held by the Fund will not correlate with the Fund's other investments. Further, the Fund may invest in derivatives for speculative purposes. Gains or losses from speculative positions in a derivative may be much greater than the derivative's original cost and potential losses may be substantial. The Fund may make short sales. Short sales expose the Fund to the risk of loss. No investment strategy, including an absolute return strategy, can ensure a profit or protect against loss. Additionally, investing in an absolute return strategy may lead to underperforming results during an upward moving market. When interest rates increase, bond prices decrease and bond funds become more volatile. 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.

DEVDX Portfolio Characteristics*

Executive Summary

		excluding cash
Assets Under Management (AUM)	$211,134,885	
Long Exposure	$216,608,342	$192,985,816
Short Exposure	$(51,961,477)	$(51,961,477)
Net Exposure	$164,646,866	$141,024,339
Net Exposure/AUM	77.98%	66.79%
Gross Exposure	$268,569,819	$244,947,292
Gross Exposure/AUM	1.27x	1.16x

Exposure Breakdown by Asset Class



Trade Type

	Gross Exposure	% of Gross Exposure	% Contribution to Total Return
Bond catalyst-driven	27,080,852	10.1%	-0.01%
Equity catalyst-driven	98,294,321	36.6%	1.76%
Portfolio hedges	7,835,312	2.9%	-0.24%
Risk arbitrage	111,736,807	41.6%	0.62%
Deep value	0	0.0%	-0.12%
USD Cash	23,622,527	8.8%	0.00%
FX Cash	0	0.0%	0.00%
FX Hedge	0	0.0%	0.00%
Expenses**			-0.15%
Total	**268,569,819**	**100.0%**	**1.86%**

Preliminary data. May differ from data shown by third-party providers because of rounding or for other reasons.

Portfolio Summary

Portfolio Volatility (100 day, based on historical daily returns)	11.05%
S&P 500 Index Volatility (100 day, based on historical daily returns)	15.59%
Beta vs. S&P 500 Index[1] (since inception)	0.44
Beta vs. Barclays Agg[2] (since inception)	(0.50)
Beta vs. Merrill Lynch High Yield Index[3] (since inception)	0.86
DEVDX and S&P 500 Index Correlation (since inception)	0.73
DEVDX and Barclays Agg Correlation (since inception)	(0.19)
DEVDX and Merrill Lynch High Yield Index Correlation (since inception)	0.43

Characteristics

FIXED INCOME	
Effective Duration/100 bps	-0.06%
Effective Spread Duration/100 bps	-0.82%
Long Exposure Mark-to-market Value/Par Value (ex IR hedge)	91.59%
Short Exposure Mark-to-market Value/Par Value (ex IR hedge)	0.00%
EQUITY	
Weighted Average Market Capitalization (USD in billion)	$3.3
Weighted Harmonic Average P/E using FY1 Estimation	19.8

Source: Bloomberg

*Exposure: please note exposure may be different than market value. For equities, bonds, foreign exchange forwards and interest rate swap products, exposure is the same as market value.

**Estimated expenses for the month (not annualized) as a percentage of the fund's net assets for the month.

For options, exposure represents delta-adjusted underlying exposure. For credit default swap and credit default swap indices, exposure represents bond-equivalent exposure.

[1] The Standard & Poor's ("S&P") 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group. It is a market-weighted index (stock price times number of shares outstanding), with each stock's weight in the index proportionate to its market value.

[2] The Barclays Capital US Aggregate Bond Index, an unmanaged index, represents securities that are SEC-registered, taxable and dollar denominated. This index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

[3] The BofA Merrill Lynch US High Yield Index is an unmanaged index that tracks the performance of below-investment-grade, US-dollar-denominated corporate bonds publicly issued in the US domestic market.

Note: *A definition of key terms can be found on page 9*

Product Type

	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure	% of Gross Exposure Change vs. Previous Month End
USD and FX Cash	**23,622,527**	**10.9%**	0	**0.0%**	**23,622,527**	**8.8%**	**5.2%**
USD Cash*	23,622,527	10.9%	0	0.0%	23,622,527	8.8%	5.2%
FX Cash**	0	0.0%	0	0.0%	0	0.0%	0.0%
Credit Products	**22,153,202**	**10.2%**	**0**	**0.0%**	**22,153,202**	**8.2%**	**-0.4%**
Bank Loan	0	0.0%	0	0.0%	0	0.0%	0.0%
CDS Index	0	0.0%	0	0.0%	0	0.0%	0.0%
Convertible	0	0.0%	0	0.0%	0	0.0%	0.0%
Corp CDS	0	0.0%	0	0.0%	0	0.0%	0.0%
Corp Credit	14,371,386	6.6%	0	0.0%	14,371,386	5.4%	-0.1%
Pfd	7,781,817	3.6%	0	0.0%	7,781,817	2.9%	-0.3%
Sovereign CDS	0	0.0%	0	0.0%	0	0.0%	0.0%
Rates Products	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0.0%**
Govt Bond	0	0.0%	0	0.0%	0	0.0%	0.0%
Treasury Future	0	0.0%	0	0.0%	0	0.0%	0.0%
IR Swaption	0	0.0%	0	0.0%	0	0.0%	0.0%
Equity Products	**170,832,613**	**78.9%**	**(46,116,827)**	**88.8%**	**216,949,441**	**80.8%**	**-4.6%**
Equity	164,352,496	75.9%	(32,485,450)	62.5%	196,837,946	73.3%	-8.1%
Equity Index Option	0	0.0%	0	0.0%	0	0.0%	0.0%
Equity Index Swap	0	0.0%	(5,383,541)	10.4%	5,383,541	2.0%	-0.3%
Equity Option	6,480,117	3.0%	(8,247,836)	15.9%	14,727,954	5.5%	3.9%
Foreign Exchange Products	**0**	**0.0%**	**(5,844,649)**	**11.2%**	**5,844,649**	**2.2%**	**-0.1%**
FX Forward	0	0.0%	(5,844,649)	11.2%	5,844,649	2.2%	-0.1%
FX Option	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**216,608,342**	**100.0%**	**(51,961,477)**	**100.0%**	**268,569,819**	**100.0%**	

Source: Bloomberg
Note: *A definition of key terms can be found on page 9*
*This figure represents the fund's operating cash plus receivables for investments sold and minus payables for investments purchased.

**FX cash is cash denominated in foreign currency and generally is a residual position from recently sold securities that has not yet been assigned to another trade or the cash equivalent bucket. In some instances, this may represent a trade in the fund.

Exposure by Country of Risk

Country Of Risk	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Developed	6,514,680	3.0%	(9,183,987)	17.7%	15,698,667	5.8%
Emerging	7,781,817	3.6%	(4,927,650)	9.5%	12,709,467	4.7%
United States	202,311,845	93.4%	(37,849,840)	72.8%	240,161,685	89.4%
Total	**216,608,342**	**100.0%**	**(51,961,477)**	**100.0%**	**268,569,819**	**100.0%**

Sector

GICS[1]	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Consumer Discretionary	55,206,121	25.5%	-6,528,093	12.6%	61,734,214	23.0%
Consumer Staples	15,821,494	7.3%	0	0.0%	15,821,494	5.9%
Energy	494,326	0.2%	0	0.0%	494,326	0.2%
Financials	48,248,450	22.3%	-5,325,859	10.2%	53,574,310	19.9%
Health Care	40,724,402	18.8%	-21,220,339	40.8%	61,944,742	23.1%
Industrials	6,101,820	2.8%	0	0.0%	6,101,820	2.3%
Information Technology	19,488,602	9.0%	-1,867,886	3.6%	21,356,489	8.0%
Utilities	6,900,600	3.2%	-3,339,337	6.4%	10,239,937	3.8%
Other[2]	23,622,527	10.9%	-13,679,962	26.3%	9,942,565	6.04%
Total	**216,608,342**	**100.0%**	**-51,961,477**	**100.0%**	**164,646,866**	**100.0%**

Derivatives Characteristics

Derivatives Premium (% of AUM) (Excluding Fixed-Income Derivatives)	0.22%
Equity Delta (% of AUM) per 1% underlying move	0.67%
Equity Gamma (% of AUM) per 1% underlying move	0.06%
Vega (% of AUM) per 1 point vol move	0.01%
Theta (% of AUM) per 1 day change	0.00%
Currency Delta (% of AUM) per 1% underlying move	-0.01%

Contributors (by Trade Type)

TOP 5	
Equity Catalyst Driven	0.8%
Equity Catalyst Driven	0.7%
Risk Arbitrage	0.6%
Equity Catalyst Driven	0.6%
Equity Catalyst Driven	0.5%
Total	**2.3%**

BOTTOM 5	
Equity Catalyst Driven	-0.5%
Risk Arbitrage	-0.2%
Equity Catalyst Driven	-0.2%
Deep Value	-0.1%
Portfolio Hedge	-0.1%
Total	**-0.6%**

Source: Bloomberg, Moody's, Standard & Poor's

[1] The Global Industry Classification Standard (GICS), a collaboration between Standard & Poor's and Morgan Stanley Capital International, is a system of classification that identifies a company according to its business activity.

[2] The Other Industry Sector data is not categorized within the GICS classification system.

***Note:** A definition of key terms can be found on page 9*

Notes

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Please consider the investment objectives, risks, fees and expenses of the Fund carefully prior to investing. The prospectus and summary prospectus contain this and other important information about the Fund. To obtain a copy of the prospectus and/or summary prospectus, please call us at (877) 779-0079. Please read the prospectus and summary prospectus carefully before investing.

This snapshot is not intended to provide investment advice. Nothing herein should be construed as a solicitation or a recommendation to buy or sell securities or other investments. You should assess your own investment needs based on your individual financial circumstances and investment objectives. Driehaus does not guarantee the accuracy or completeness of this information. This data was prepared on June 11, 2016 and has not been updated since then. It may not reflect recent market activity. Driehaus assumes no obligation to update or supplement this information to reflect subsequent changes. This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The information and opinions contained in this material are derived from proprietary and non-proprietary sources deemed by Driehaus to be reliable, are not necessarily all inclusive and are not guaranteed as to accuracy. 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 Securities LLC, Distributor

FUND INFORMATION

Types of events in which the fund frequently invests include:

Earnings: A trade involving an upside or downside surprise to earnings versus market expectations.

Product cycle: A key change to the company's product/service offering, or a change in customer preferences for the company's product/service.

Restructuring: A change to the company's capital structure or business prospects as a result of bankruptcy, reorganization or corporate distress.

Corporate action: Changes to the company's strategy or capital structure as a result of mergers, acquisitions, spin-offs, lawsuits, etc.

Market dislocation: Any mispricing of a security for a non-fundamental reason.

Portfolio hedges: A hedge to an unwanted factor exposure, such as equity, volatility, credit or interest rate risk.

Types of trades in which the fund frequently invests include:

Equity catalyst-driven: Event-driven trades that are expressed predominately through equity positions.

Bond catalyst-driven: Event-driven trades that are expressed predominately through bond positions.

Risk arbitrage: Trades that attempt to capture a valuation discrepancy between similar securities.

Deep value: rade that attempts to capture the mispricing of an extremely undervalued security.

Portfolio hedges: A hedge to an unwanted factor exposure, such as equity, volatility, credit or interest rate risk.

DEFINITIONS OF KEY TERMS

Agency Mortgage-Backed Security - A mortgage-backed security issued and guaranteed by a government agency such as the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or Government National Mortgage Association.

Asset-Backed Security (ABS) - A security whose value and income payments are derived from and collateralized (or "backed") by a specified pool of underlying assets.

Average % of Par-Longs - The average dollar price of a bond the Fund is long as a percentage of par.

Average % of Par-Shorts - The average dollar price of a bond the Fund is short as a percentage of par.

Beta - A measure describing the relation of a portfolio's returns with that of the financial market as a whole. A portfolio with a beta of 0 means that its price is not at all correlated with the market. A positive beta means that the portfolio generally follows the market. A negative beta shows that the portfolio inversely follows the market; the portfolio generally decreases in value if the market goes up and vice versa.

Credit Default Swap (CDS) - A contract in which the buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if a credit instrument (typically a bond or loan) goes into default. In its simplest form, a credit default swap is a bilateral contract between the buyer and seller of protection.

Delta - The ratio that compares the change in the price of a derivative to the corresponding change in the price of an underlying asset.

Derivatives Premium – Value of a derivatives contract.

Effective Duration - A duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

Equity Gamma - The ratio that compares the rate of change for the delta with respect to the underlying asset's price.

Effective Spread Duration - The sensitivity of the price of a bond to a 100 basis point change to its option-adjusted spread. As the rate of the Treasury security in the option-adjusted spread increases, the rate of the option-adjusted spread also increases.

Mortgage-Backed Security (MBS) - An asset-backed security or debt obligation that represents a claim on the cash flows from mortgage loans, most commonly on residential property.

Portfolio Coupon - The annualized interest earned for the portfolio.

Portfolio Current Yield - The annual income (interest or dividends) divided by the current price of the security, aggregated to the portfolio level.

Portfolio Yield-to-Worst - The lowest potential yield that can be received on a bond without the issuer actually defaulting, aggregated to the portfolio level. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer.

Sharpe Ratio is calculated by finding the portfolio's excess return and then dividing by the portfolio's standard deviation.

Stock Vega - The change in the price of an option that results from a 1% change in volatility. Vega changes when there are large price movements in the underlying asset and Vega falls as the option gets closer to maturity. Vega can change even if there is no change in the price of the underlying asset (e.g., if there is a change in expected volatility).

Swap - A derivative in which two counterparties exchange certain benefits of one party's financial instrument for those of the other party's financial instrument.

Theta - A measure of the rate of decline in the value of an option due to the passage of time. Theta can also be referred to as the time decay on the value of an option.