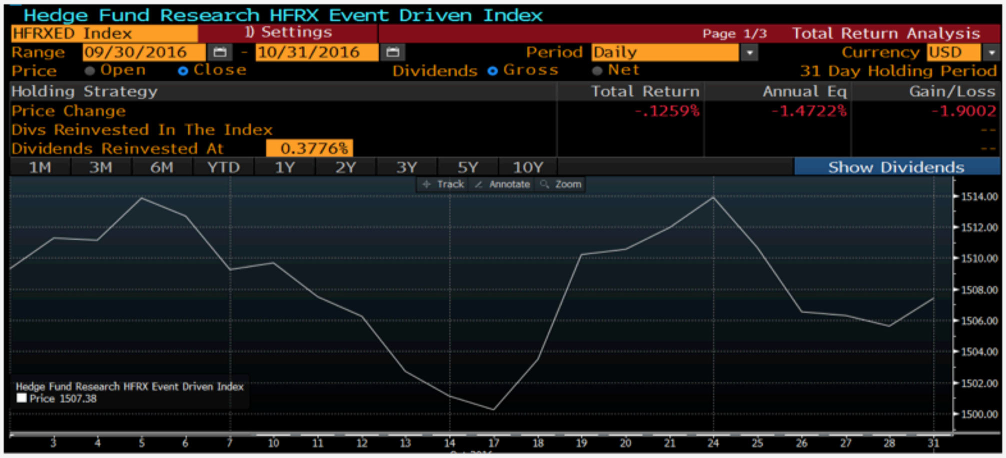
A Flurry of Deal Activity Begs the Question: Was This the Best Merger Month Ever?

As the title to our monthly letter highlights, October was an extraordinary month of M&A, leading some to call it the best month of deal activity ever. Having lived through the past month of insatiable transaction volume, the proclamation is not without merit. Surely, in the aftermath of all the moves, there is evidence to support such a claim (beyond Kenny Banya's enthusiastic tag line from Seinfeld), so let's sift through some of the evidence to assess.

- October racked up more than $315 billion worth of US deals, easily surpassing the previous record of $240 billion set in July 2015.
- Five of the top twelve deals, year to date, were announced in the ***final two weeks*** of October alone.
- During the second to last week of the month, three deals were announced that were ***each*** the largest ever seen in their respective industries.
- $177 billion of merger activity in a single week set an all-time record.
- October saw $559 billion worth of M&A globally (per BBG data), the most in one month since November 2015, when M&A totaled $628 billion. Excluding the failed M&A from that month, October was on pace to exceed last year's record by more than 15%.

At first glance, there is a strong case for October being "the best merger month ever." For whatever reasons (we could spend days opining on motivations), management teams decided that the time to consummate deals—and historically big ones at that—was now. Perhaps faced with an imminent change to the White House administration, or feeling the pressure of the recent tick up in interest rates, corporations have determined that deals must be made ASAP, and the fervor appears contagious.

EXHIBIT 1:
The HFRX Event Driven Index return for October was negative despite record breaking M&A activity



Source: Bloomberg

However, for all the fireworks in the event space, it seems that many in the investing community have had little to show for it as of late. Consider as a reference point the HFRX Event Driven Index, which produced a negative 0.13% return in October, relatively in line with its small YTD loss of 1.47% as of month-end (Exhibit 1).

One would think that for all the action, investors would be harvesting big returns. Peeling the onion further provides some insight as to why the reality of the largest doesn't necessarily translate into the best:

- » So far this year, $523 billion in M&A has been withdrawn, already a record for any year going back to 1995, according to Dealogic.
- » Global M&A this year is 19% below 2015's all-time high of more than $4 trillion in deals, and US deals are lagging 21% behind last year's record of nearly $2 trillion in M&A.
- » At 540, the number of deals this month trails July 2015 by more than 400, reflecting the increase in super-sized transactions.
- » Outsized deals face heightened regulatory risk, jawboning, and increased time to completion with many bumps along the way.

From our vantage point, reading the above points leads to a simple conclusion—the handoff from deal activity to crystallized profits has become significantly more complex and takes longer amid the current environment. Increasingly, the path to navigate deal consummation has become, to borrow from Sir Paul, a long and winding road.

Why is this the Case?

As we've written about in recent months, not all deals are equal. The sheer dollar size of these seminal deals has led to intensified scrutiny, followed shortly thereafter by a period of much investor angst and trepidation. Subsequently, timelines have been pushed further out, and required rates of return have been reset higher.

Interestingly, the Driehaus Event Driven Fund has found this phenomenon to be one of the more fruitful and compelling developments this year. Tracked closely and managed properly, the shift in risk-arb behavior has created enticing risk-adjusted opportunities. More and more we find our involvement in deal spreads occurring later in the process. This has afforded us two key advantages: 1) more efficient use of capital, resulting in a better risk-reward proposition, and 2) capitalizing on the behavior of investors playing from a position of weakness.

So where to now?

As we look toward the final stretch of the year, we remain cognizant of the year-end dynamics that affect prospective opportunities in the M&A space. While investors look to close the year with their final shots on goal, any adverse news related to deals or missteps in the space may be cause for extreme reactions as event investors are forced to act out of a position of weakness. For now, our tactical approach to deal spreads has proven beneficial, although we are closely monitoring for signals of a shift in the playing field. Given our framework and approach to risk-arb under the latest M&A landscape, we welcome the occasion to see a few of these scenarios.

New Trade

The fund initiated a long equity position in the title insurance space this past month. The investment idea checked many of the boxes we look for when considering a new trade idea: solid upside potential, favorable strategic overlay, key change agents in place, and moderate downside.

The company is the fourth largest player in a four-player market, transacting in both the direct and agency end markets. The agency segment enjoys low variable costs, while the direct channel has higher cost but also benefits from higher pretax margins when run to scale. The investment has approximately 42% exposure to the higher margin direct channel. Interestingly, despite similar segment breakdown to the broader group, the company lags all competitors in pretax margin.

We believe there are two reasons attributable to the lagging margins. First off, the company is smaller than the two largest players in the space. However, the company trails the other player in the industry, even though they are of similar size.

Secondly, it appears that management has not been able to adequately manage the business and achieve the same level of efficiency as the rest of the space. In fact, the company is currently the target of activist shareholders who are seeking to effectuate the necessary changes to achieve industry-like pretax margins. The company trails the industry pretax margin average by 400 basis points, and notably is worse than the next closest competitor by 160 basis points, while having a more favorable business mix.

We believe that executed properly, the current business should achieve significant operational improvement, and that in the event this is not achieved under current management, key stakeholders will be able to produce the change necessary to unlock value to shareholders, providing material upside to 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 October, the Driehaus Event Driven Fund returned 0.59% and the S&P 500 Index returned -1.82%.[1] The portfolio hedge (1.13%) and risk-arbitrage trade type (0.25%) were the most significant contributors to returns for the period. The equity catalyst-driven trade type (-0.79%) was the most significant detractor from returns for October.

The largest contributors for the month included portfolio hedges in the health care and biotech space (+48 and +37 bps, respectively), meant to offset our long exposures. The third largest contributor was a for-profit education company that is being acquired, which we have previously written about (+29 bps).

The top three detractors for the month included a hedged position in a specialty pharmaceutical company going through a strategic review (+38 bps), a risk-arb name in the chemicals space that faces regulatory approvals (-26 bps), and a diagnostics company seeking wider approval of its test (-23 bps).

PERFORMANCE

MONTH-END – 10/31/16

	MTD	YTD	1 Year	3 Year	Since Inception[2]
Driehaus Event Driven Fund	0.59%	4.47%	2.90%	0.37%	2.08%
S&P 500 Index[3]	-1.82%	5.87%	4.51%	8.84%	10.29%
Citigroup 3-Month T-Bill Index[4]	0.02%	0.21%	0.22%	0.09%	0.09%

CALENDAR QUARTER-END – 9/30/16

	QTR	YTD	1 Year	3 Year	Since Inception[2]
Driehaus Event Driven Fund	4.60%	3.86%	4.18%	0.82%	1.95%
S&P 500 Index[3]	3.85%	7.84%	15.43%	11.16%	11.25%
Citigroup 3-Month T-Bill Index[4]	0.07%	0.19%	0.20%	0.09%	0.08%

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.

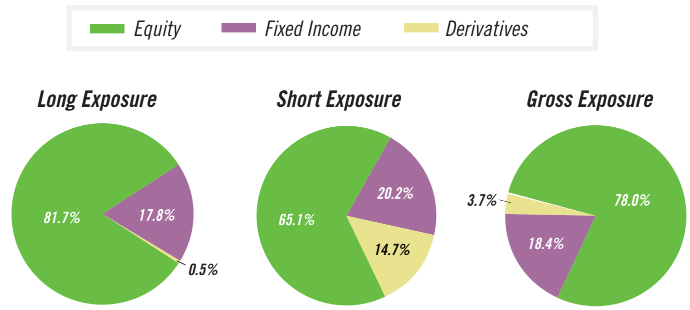
Investments in overseas markets can pose more risks than U.S. investments, and share prices are expected to be more volatile than that of a U.S.-only fund. The Driehaus Event Driven Fund invests in foreign securities, including small and mid cap stocks, which may be subject to greater volatility than 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)	$225,862,130
Long Exposure	$217,727,579
Short Exposure	$(62,690,053)
Net Exposure	$155,037,526
Net Exposure/AUM	68.64%
Gross Exposure	$280,417,632
Gross Exposure/AUM	1.24x
Cash**	$4,337,980
Cash/AUM	1.92%

Exposure Breakdown by Asset Class



Trade Type

	Gross Exposure	% of Gross Exposure	% Contribution to Total Return
Bond catalyst-driven	40,851,119	14.6%	0.09%
Equity catalyst-driven	133,902,695	47.8%	-0.79%
Portfolio hedges	34,402,215	12.3%	1.13%
Risk arbitrage	71,261,604	25.4%	0.25%
Deep value	0	0.0%	0.00%
Expenses***			-0.13%
Total	**280,417,632**	**100.0%**	**0.56%**

Preliminary data. Data is ex-cash. 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)	6.24%
S&P 500 Index Volatility (100 day, based on historical daily returns)	11.83%
Beta vs. S&P 500 Index[1] (since inception)	0.43
Beta vs. Barclays Agg[2] (since inception)	0.85
Beta vs. Merrill Lynch High Yield Index[3] (since inception)	(0.44)
DEVDX and S&P 500 Index Correlation (since inception)	0.72
DEVDX and Barclays Agg Correlation (since inception)	0.44
DEVDX and Merrill Lynch High Yield Index Correlation (since inception)	(0.18)

Characteristics

FIXED INCOME	
Effective Duration/100 bps	(0.48)%
Effective Spread Duration/100 bps	0.95%
Long Exposure Mark-to-market Value/Par Value (ex IR hedge)	97.14%
Short Exposure Mark-to-market Value/Par Value (ex IR hedge)	0.00%
EQUITY	
Weighted Average Market Capitalization (USD in billion)	$7.2
Weighted Harmonic Average P/E using FY1 Estimation	21.4

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.

**This figure represents the fund's operating cash plus receivables for investments sold and minus payables for investments purchased, and includes USD and FX cash.

***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
Bank Loan	4,233,758	1.9%	0	0.0%	4,233,758	1.5%
Convertible Bond	7,195,919	3.3%	0	0.0%	7,195,919	2.6%
Convertible Preferred	3,790,000	1.7%	0	0.0%	3,790,000	1.4%
Corporate	23,622,662	10.8%	0	0.0%	23,622,662	8.4%
Preferred	0	0.0%	0	0.0%	0	0.0%
Sovereign	0	0.0%	(12,654,387)	20.2%	12,654,387	4.5%
Fixed Income	**38,842,339**	**17.8%**	**(12,654,387)**	**20.2%**	**51,496,726**	**18.4%**
ADR/GDR	6,692,070	3.1%	(2,008,780)	3.2%	8,700,850	3.1%
Equity Common	171,184,231	78.6%	(14,813,164)	23.6%	185,997,395	66.3%
Exchange Traded Fund	0	0.0%	(23,976,365)	38.2%	23,976,365	8.6%
Equity	**177,876,301**	**81.7%**	**(40,798,309)**	**65.1%**	**218,674,610**	**78.0%**
Credit Default Swap	0	0.0%	0	0.0%	0	0.0%
Currency Forward	1,008,940	0.5%	(428,294)	0.7%	1,437,234	0.5%
Index Future	0	0.0%	0	0.0%	0	0.0%
Index Options	0	0.0%	0	0.0%	0	0.0%
Interest Rate Future	0	0.0%	0	0.0%	0	0.0%
Residential Mortgage Backed	0	0.0%	0	0.0%	0	0.0%
Securitized / Covered	0	0.0%	0	0.0%	0	0.0%
Swaptions	0	0.0%	0	0.0%	0	0.0%
Total Return Swap	0	0.0%	(8,809,063)	14.1%	8,809,063	3.1%
Derivatives	1,008,940	0.5%	(9,237,357)	14.7%	10,246,297	3.7%
Total	**217,727,579**	**100.0%**	**(62,690,053)**	**100.0%**	**280,417,632**	**100.0%**

Data is ex-cash.

Exposure by Country of Risk

Country Of Risk	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Developed	30,931,844	14.2%	(428,294)	0.7%	31,360,138	11.2%
Emerging	3,790,000	1.7%	(2,008,780)	3.2%	5,798,780	2.1%
United States	183,005,736	84.1%	(60,252,979)	96.1%	243,258,715	86.7%
Total	**217,727,579**	**100.0%**	**(62,690,053)**	**100.0%**	**280,417,632**	**100.0%**

Data is ex-cash.

Source: Bloomberg

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

Sector

GICS[1]	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Consumer Discretionary	78,471,904	36.0%	(159,712)	0.3%	78,631,617	28.0%
Consumer Staples	0	0.0%	0	0.0%	0	0.0%
Energy	306,064	0.1%	0	0.0%	306,064	0.1%
Financials	36,057,200	16.6%	(13,093,452)	20.9%	49,150,652	17.5%
Health Care	33,087,153	15.2%	(2,008,780)	3.2%	35,095,933	12.5%
Information Technology	30,458,449	14.0%	0	0.0%	30,458,449	10.9%
Materials	6,692,070	3.1%	0	0.0%	6,692,070	2.4%
Real Estate	20,004,107	9.2%	0	0.0%	20,004,107	7.1%
Telecommunication Services	0	0.0%	(1,560,000)	2.5%	1,560,000	0.6%
Utilities	11,641,692	5.3%	0	0.0%	11,641,692	4.2%
Other[2]	1,008,940	0.5%	(45,868,109)	73.2%	46,877,049	16.7%
Total	**217,727,579**	**100.0%**	**(62,690,053)**	**100.0%**	**280,417,632**	**100.0%**

Data is ex-cash.

Contributors (by Trade Type)

TOP 5	
Portfolio Hedge	0.5%
Portfolio Hedge	0.4%
Risk Arbitrage	0.3%
Portfolio Hedge	0.2%
Equity Catalyst Driven	0.2%
Total	**1.5%**

BOTTOM 5	
Equity Catalyst Driven	-0.4%
Risk Arbitrage	-0.3%
Equity Catalyst Driven	-0.2%
Equity Catalyst Driven	-0.2%
Equity Catalyst Driven	-0.1%
Total	**-1.2%**

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 November 10, 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.