DRIEHAUS ACTIVE INCOME FUND

February 2013 Summary

Ticker: LCMAX

Features

- Provides diversification within fixed income and alternative asset allocations
- Absolute return, long/short credit strategy
- Volatility managed, low correlation return objectives
- Hedging of interest rate exposure
- Liquid, transparent "hedged" mutual fund vehicle

Inception Date
November 8, 2005*

Firm Assets Under Management
$9.1 billion

Fund Assets Under Management
$3.1 billion

Portfolio Concentration
Flexible, best ideas approach, generally 50-60 trades

Duration Target
+/- 1 year

Volatility Target
≤ 5%

Distributions
Quarterly dividends; annual capital gains

Portfolio Managers
K.C. Nelson
Portfolio Manager
15 years experience

Mirsada Durakovic
Assistant Portfolio Manager
15 years experience

Elizabeth Cassidy
Assistant Portfolio Manager
14 years experience

**The Driehaus Active Income Fund commenced operations on June 1, 2009 following the receipt of the assets and liabilities of the Lotsoff Capital Management Active Income Fund (the "Predecessor Fund") through a reorganization into the Driehaus Active Income Fund.*

Performance Recap

The Driehaus Active Income Fund returned 0.09% for February. The most significant contributors to the fund were the capital structure arbitrage strategy (+0.15%) and the directional long strategy (+0.10%). The interest rate hedge proved to be the fund's most significant detractor for the month (-0.17%) as the 10-year Treasury yields decreased 10 basis points to 1.88% after increasing 24 basis points during January. The rally in bond prices followed the uncertainty of the Italian election and concerns about the U.S. sequestration.[1]

At the security level, a capital structure arbitrage trade in a long-standing position in the preferred securities of a mail and document management company contributed 0.09%. Following optimistic fiscal year 2013 guidance in January, the company announced cash tender offers for some of its notes, which caused the preferred debt to rally. A capital structure arbitrage trade in a retail drugstore chain contributed 0.04% as the drugstore accessed the capital markets to refinance debt and launch a cash tender for some of its secured notes. Lastly, an event trade in a solar products and services company contributed 0.04%. The company's product offerings and ongoing attractive projects have made it a more formidable competitor in its industry, which attracted strong buyer demand during the month.

Other positions across strategy types and industries, including financial, volatility, and hospitality, contributed between 0.01% and 0.03% to the portfolio.

Outside of the interest rate hedge that detracted 0.17%, a directional long position in an auto manufacturer detracted 0.06%. The company issued cautionary earnings comments about the outlook for Europe and the first quarter of the year.

No other positions detracted meaningfully from the portfolio.

The Zax & The Bond Market of 1994

To the surprise of few, sequestration kicked into effect on March 1. The $85 billion in automatic spending cuts have already started. Assuming there's no budget deal passed, it will continue through September 30, which marks the end of the fiscal year for the federal government. Initially agreed upon by both parties back in 2011 as a "kick the can" solution to that year's budget crisis, sequestration was supposed to be a draconian solution unpalatable to both parties, thereby encouraging lawmakers to compromise when crafting a new

[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.

budget plan. But apparently compromise and budgets are for the birds, judging by the actions of our esteemed Congress, so we sit at a stalemate with sequestration in full effect.

In my home, I'm fortunate enough to have two little ones who still look forward to story time every night (my seven year old now chooses to read by himself, sadly enough). My younger son and daughter typically choose an animal or dinosaur encyclopedia as their story, but sometimes I'll get lucky and we'll read Dr. Seuss. I'm a big fan of Dr. Seuss. Any author who can entertain and educate young and old alike for decades on end is a literary genius in my book. The other night, after we read about the Star-Bellied Sneetches, we turned to the story of the Zax. As we read, I couldn't help but think of our political environment over the past several years. I've copied the story of the Zax below. As you can see, it's a quick read, and worth your time.

The Zax

By Dr. Seuss

One day, making tracks
In the prairie of Prax,
Came a North-Going Zax
And a South-Going Zax.

And it happened that both of them came to a place
Where they bumped. There they stood.
Foot to foot. Face to face.

"Look here, now!" the North-Going Zax said, "I say!
You are blocking my path. You are right in my way.
I'm a North-Going Zax and I always go north.
Get out of my way, now, and let me go forth!"

"Who's in whose way?" snapped the South-Going Zax.
"I always go south, making south-going tracks.
So you're in MY way! And I ask you to move
And let me go south in my south-going groove."

Then the North-Going Zax puffed his chest up with pride.
"I never," he said, "take a step to one side.
And I'll prove to you that I won't change my ways
If I have to keep standing here fifty-nine days!"

"And I'll prove to YOU," yelled the South-Going Zax,
"That I can stand here in the prairie of Prax
For fifty-nine years! For I live by a rule
That I learned as a boy back in South-Going School.
Never budge! That's my rule. Never budge in the least!
Not an inch to the west! Not an inch to the east!
I'll stay here, not budging! I can and I will
If it makes you and me and the whole world stand still!"

Well…
Of course the world didn't stand still. The world grew.
In a couple of years, the new highway came through
And they built it right over those two stubborn Zax
And left them there, standing un-budged in their tracks.

Thankfully, while our left- and right-leaning Zax continue to not budge in the least, the financial markets appear to be moving on without them. The S&P 500 Index stood at 1,515 on the day before sequestration began, and not even two weeks later the index lives at 1,551. I believe investors have grown accustomed to the chicanery of our elected Zax. The markets certainly didn't panic leading into the fiscal cliff deadline at year end, and likewise there was little anxiety displayed heading into the March 1 deadline. Unless our Zax make a policy decision that cripples economic growth, the world is just going to keep moving on without them.

This certainly wouldn't be the first time that investors have become conditioned to subject matter that continued to capture the headlines of the daily news. In 2009, markets began to soar despite a steady flow of horrendous economic data. The fact of the matter was that markets had priced in said horrendous data. Any economic readings with a slight hint of improvement were greeted with jubilation, while the opposite was greeted with a collective shrug. Scandal, broadly speaking, within our biggest banks is now expected, or at a minimum, partially priced into their stocks. In the good old days, an illegal Libor rate setting scheme or a "hedging" department gone rogue to the tune of $5 to $10 billion would have crushed the market capitalization of the offending bank, if not put it out of business entirely. Now, investors trim a few bucks off the stock at most, and then move on with their day.

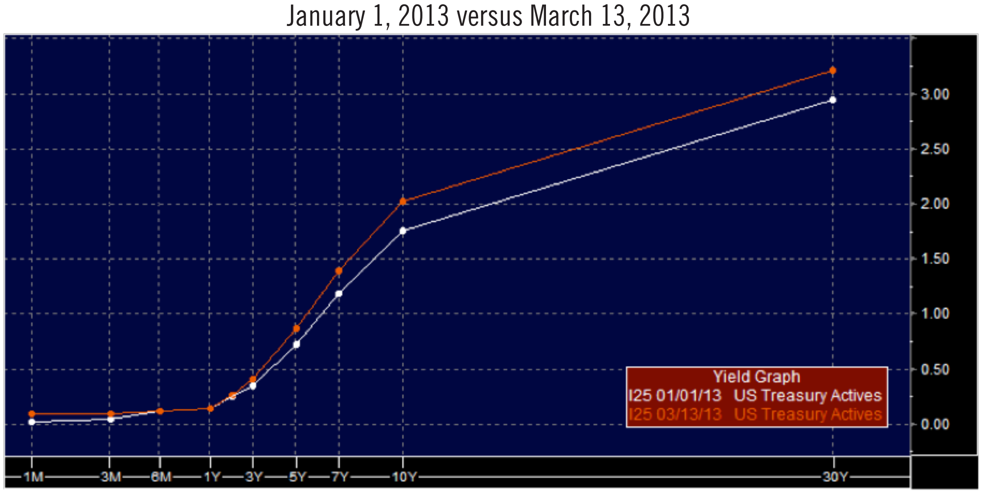
I believe the market has priced in much grandstanding coupled with little-to-no productivity from our policymakers during the next four years of our lame-duck 'Zax in Chief's' second term. Consequently, investors should turn their attention to other themes that could move the markets. In our opinion, the potential for bond market volatility should be at the forefront of investors' minds. While there has been plenty of talk dedicated to the topic of a bear market for bonds, investor sentiment as measured by fund flows reflects little of it. According to BofA Merrill Lynch Research, year-to-date bond fund flows stand at more than $40 billion.

Falling prices and rising volatility

Accommodative Federal Reserve policy has been a, if not the, dominant force powering risk assets over the past several years. We could now be nearing an inflection point in that policy. On the one hand, we have a Fed chairman who is resolute in stimulating more, not less. He believes the risks of too little stimulus outweigh the costs of too much. There's still plenty of slack in the economy, particularly in the labor market. On the other hand, economic data continues to gradually improve, while financial markets have improved substantially. Additionally, there now seem to be doubts arising about the continuation of quantitative easing (QE) among other Federal Open Market Committee (FOMC) members. I couldn't help but notice that the "few" FOMC members who were worried about the risks of additional QE in the January minutes turned into "many" by the time the February minutes rolled around. The market though, as evidenced by the graph (Figure 1) of the U.S. Treasury yield curve from the beginning of the year (white) to today (orange), is either convinced that the Fed has a handle on the situation, or that growth will fade over the next few months, similar to the past few years.

FIGURE 1: U.S. TREASURY YIELD CURVE

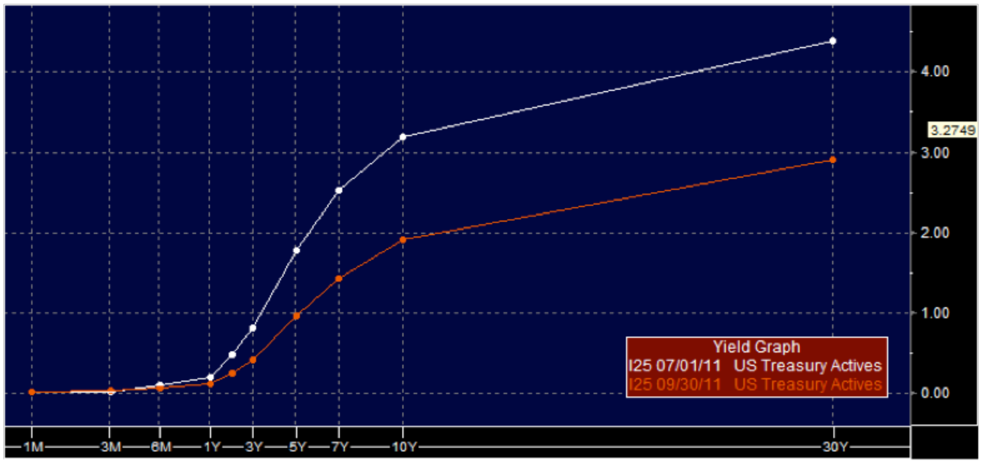
January 1, 2013 versus March 13, 2013



Source: Bloomberg

While this year-to-date move in yields may feel like a large move, I would suggest that it is just a fraction of what could occur in the event Fed Chairman Bernanke (and not just other FOMC members) starts to even publicly consider an end to QE. Take a look at Figure 2 to see what happened to the yield curve during a 90-day period in 2011. I would expect a reversal of this magnitude to occur should Bernanke discuss a 2014 end to QE.

FIGURE 2: U.S. TREASURY YIELD CURVE DURING 3Q 2011
JULY 1, 2011 VERSUS SEPTEMBER 30, 2011

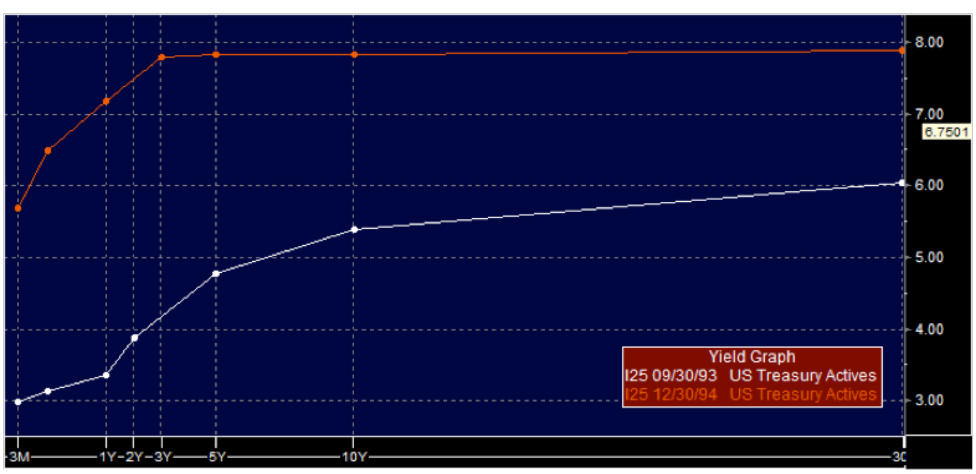


Source: Bloomberg

And then of course, there's the possibility that the Fed loses control of the situation. This is the most sinister scenario, and one that should not be overlooked by investors. Let's not forget that six years ago, in March 2007, Bernanke stated before Congress, "At this juncture, however, the impact on the broader economy and financial markets of the problems in the subprime market seems likely to be contained. In particular, mortgages to prime borrowers and fixed-rate mortgages to all classes of borrowers continue to perform well, with low rates of delinquency." So just like the rest of us, Bernanke and the good folks at the FOMC can miss occasionally, too. It's certainly a possibility that they don't have this whole QE exit plan mapped out.

In 1994, the Fed lost control of the situation for a bit, and rates surged as a result, as shown in Figure 3. On the front end of the curve, rates jumped by approximately 3% over 15 months. Yields rose by roughly 2% on the back end of the curve over the same time period. It was a bad year in the bond market, to put it mildly.

FIGURE 3: U.S. TREASURY YIELD CURVE (3Q 1993 – 4Q 1994)
SEPTEMBER 30, 1993 VERSUS DECEMBER 30, 1994



Source: Bloomberg

I draw attention to this period because I envision the next major move in our bond market might resemble this one. There's been a fair amount of academic research dedicated to the bond market selloff of 1994. Even with the benefit of hindsight, there's no clear culprit as to what caused the bond market blow-up. Yes, the Fed did tighten by raising rates in response to a U.S. economy quickly recovering from the Gulf War recession. But the Fed executed similar tightening moves many times before and since then without a fraction of the market impact. Economists Claudio Borio and Robert McCauley wrote an excellent research paper in 1995 entitled, "The Anatomy of the Bond Market Turbulence of 1994." In it, they examined which factors most contributed to the bond market selloff and surge in yield volatility. Their conclusions are striking and read as follows:

> "We conclude that the market's own dynamics seem to provide a stronger explanation than variations in market participants' apprehensions about economic fundamentals. We identify three market dynamics: downward markets increase volatility; volatility spills over from certain markets onto others; and it can rise in the wake of substantial withdrawals of foreign investments. We find more limited evidence that monetary or fiscal policies accounted for the rise in volatility, at least by our measures. Moreover, changing expectations about growth and inflation, while perhaps at work in particular countries, do not offer much of a general explanation."

Said in plain English, they found that:

1) Falling bonds prices increased bond market volatility. (There's complicated math behind this statement, but the bottom line is that volatility rises when asset prices fall and volatility falls when asset prices rise.)
2) Rising volatility in the bond market spilled over into other asset classes.
3) Heightened levels of market volatility caused many investors to withdraw money from the market, which was exaggerated at times because some of that money was leveraged.

So while plenty of investors worry about the damage a rising rate environment could inflict on their fixed income portfolios, I'd argue that this risk factor is largely misunderstood and underappreciated. Many of these same investors are looking for a change in economic fundamentals or Fed policy to be their signal to substantially reduce their portfolio's fixed income exposure. But Borio and McCauley suggest that neither of these factors explained the selloff in 1994. Rather, the dynamics of the fixed income market at the time were the important contributing factors. I'd argue the market dynamics today are far more risky than in 1994. We now have massive market manipulation by central banks globally, a world over-allocated to fixed income assets after years of stellar returns, and a general sense of complacency toward the potential for bond market volatility. One could easily draw up a scenario in which market dynamics, not Fed policy or economic fundamentals, are the cause of a major market selloff, such as:

- The yield on the 10-year U.S. Treasury jumps to 3% as investors anticipate an end to QE in 2014.
- Prices of all things fixed income decline 1% to 10% across investor portfolios.
- Bond volatility rises as bond prices fall.
- The rise in bond volatility stimulates more selling, as many model portfolios have systematically underestimated the potential volatility contribution from fixed income exposures due to the low bond volatility environment of the prior 20 years.
- Heightened bond market volatility bleeds over into other asset classes such as commodities and equities.
- Investors retract capital from the markets, leading to further declines across a variety of asset classes.

Alas, we've been worried about an unraveling in the bond market before, so perhaps we're just overthinking things. I know, we should just be happy that most everything in the investment world is off to a good start this year. But if I weren't cynical, I probably would've been flushed out of this career long ago.

Next month, we'll try to have something exciting to talk about in credit land. As for now, the credit markets still look mediocre at best and are exceedingly boring. Spreads haven't really moved in two months and we still don't think they warrant taking a lot of risk. To give you some perspective, today we received price guidance on the debt financing for the ketchup company involved in a recent buyout. It sounds like the covenant-lite loan will come at Libor +300 basis points with a 1% Libor floor. The company will have approximately four-times net leverage through the loan, which will be paying a whopping 4% for the foreseeable future since Libor is a ways from 1%. So 4% for a four-times levered piece of paper? I feel nauseous just writing that. Unfortunately, in today's paper-starved world, that deal will most likely be several times over-subscribed and trade up a half point. This is the world in which we now live. With that said, we'd reiterate the call we made in our November 2012 letter. If you want to add some risk to your portfolio, you're much better off spending your time talking to an equity manager, because you're not getting paid for it in the credit markets. Stay tuned though, as that may change because history tells us that boring is not a steady state condition in these markets.

Best of luck with your portfolios and brackets in March.

K.C. Nelson
Portfolio Manager, Driehaus Credit Strategies

DRIEHAUS ACTIVE INCOME FUND PERFORMANCE

Performance Disclosure
The performance data shown below 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.

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MONTH-END PERFORMANCE AS OF 2/28/13

				Average Annual Total Return			
Fund/Index	February	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (11/8/05)
Driehaus Active Income Fund*	**0.09%**	**0.84%**	**3.93%**	**2.81%**	**5.77%**	**----**	**5.00%**
Citigroup 3-Month T-Bill Index[1]	0.00%	0.01%	0.08%	0.09%	0.35%	----	1.67%
Barclays Capital U.S. Aggregate Bond Index[2]	0.50%	-0.20%	3.12%	5.46%	5.53%	----	6.05%

CALENDAR QUARTER-END PERFORMANCE AS OF 12/31/12

				Average Annual Total Return			
Fund/Index	4th QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (11/8/05)
Driehaus Active Income Fund*	**2.44%**	**9.34%**	**9.34%**	**2.77%**	**5.88%**	**----**	**4.99%**
Citigroup 3-Month T-Bill Index[1]	0.02%	0.07%	0.07%	0.09%	0.45%	----	1.71%
Barclays Capital U.S. Aggregate Bond Index[2]	0.22%	4.22%	4.22%	6.20%	5.95%	----	6.22%

*The Driehaus Active Income Fund commenced operations on June 1, 2009 following the receipt of the assets and liabilities of the Lotsoff Capital Management Active Income Fund (the "Predecessor Fund") through a reorganization into the Driehaus Active Income Fund (the "Fund"). Lotsoff Capital Management was the investment adviser from inception through April 2, 2009. Driehaus Capital Management LLC (the "Adviser") became the interim investment adviser to the Predecessor Fund on April 3, 2009.

ANNUAL FUND OPERATING EXPENSES** (expenses that you pay each year as a percentage of the value of your investment)

Driehaus Active Income Fund	
Management Fee	0.55%
Other Expenses	
Other Expenses Excluding Dividends and Interest on Short Sales	0.33%
Dividends and Interest on Short Sales	0.13%
Total Annual Fund Operating Expenses	**1.01%**

**Represents the Annual Fund Operating Expenses for the year ended December 31, 2011, as disclosed in the current prospectus dated April 29, 2012. 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.

The Driehaus Active Income Fund (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. 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. 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.

Please consider the investment objectives, risks, fees and expenses of the Fund carefully prior to investing. The prospectus and summary prospectus contains 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.

[1] 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.

[2] The Barclays Capital U.S. Aggregate Bond Index, an unmanaged index, represents securities that are SEC-registered, taxable and dollar denominated. This index covers the U.S. 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.

Driehaus Securities LLC, Distributor

DRIEHAUS ACTIVE INCOME FUND PORTFOLIO CHARACTERISTICS*

PORTFOLIO SNAPSHOT (as of 2/28/13)

		Excluding Cash
Assets Under Management (AUM)	$3,122,106,916	
Long Exposure	$3,502,666,802	$2,643,234,000
Short Exposure	$(1,753,021,712)	$(1,753,021,712)
Net Exposure	$1,749,645,090	$890,212,289
Net Exposure/AUM	56.04%	28.51%
Gross Exposure	$5,255,688,514	$4,396,255,712
Gross Exposure/AUM	1.68x	1.41x

RISK SUMMARY (as of 2/28/13)

Effective Duration	0.46 Years
Effective Spread Duration	1.96 Years
30-day SEC Yield	3.37%
Portfolio Yield-To-Worst	3.46%
Average % of Par Longs	105.97%
Average % of Par Shorts	111.75%
Beta vs. S&P 500	0.04
100-Day Volatility	1.85%

TRADING STRATEGY TYPE (as of 2/28/13)

	Gross Exposure	% of Gross Exposure	% Contrib. to Total Return	% of Gross Exposure Change vs. Previous Month End
Capital Structure Arbitrage[1]	731,159,077	13.91%	0.15%	-2.84%
Convertible Arbitrage[1]	284,408,795	5.41%	0.03%	-1.39%
Event Driven[1]	200,495,846	3.81%	-0.01%	-0.22%
Pairs Trading[1]	100,897,978	1.92%	0.02%	-0.25%
Directional Long[1]	1,317,449,528	25.07%	0.10%	-3.82%
Directional Short[1]	293,418,365	5.58%	-0.04%	-0.82%
Interest Rate Hedge[1]	520,516,979	9.90%	-0.17%	-1.83%
Volatility Trading[1]	947,909,144	18.04%	0.02%	9.79%
Cash Equivalent	859,432,802	16.35%	0.00%	1.39%
Total	**5,255,688,514**	**100.00%**	**0.09%**	

MARKET CAPITALIZATION (as of 2/28/13)

BILLION	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure
$0-500mm	6,660,252	0.19%	(8,748,443)	0.50%
$500mm - 2bn	200,192,084	5.72%	(48,651,429)	2.78%
$2bn -10bn	207,090,931	5.91%	(200,642,865)	11.45%
$10bn - 20bn	42,716,660	1.22%	(90,835,166)	5.18%
>$20bn	315,246,022	9.00%	(202,962,090)	11.58%
ABS/MBS/CMBS (Excluded)[2]	*59,785,457*	*1.71%*	-	*0.00%*
Private Companies (Excluded)[3]	*1,811,542,595*	*51.72%*	*(680,664,741)*	*38.83%*
Treasuries (Excluded)[4]	-	*0.00%*	*(520,516,979)*	*29.69%*
Cash (Excluded)	*859,432,802*	*24.54%*	-	*0.00%*
Total	**3,502,666,802**	**100.00%**	**(1,753,021,712)**	**100.00%**

Source: Bloomberg

[1] A definition of this term can be found on page 15.

[2] Market capitalization information is unavailable for Asset Backed Securities (ABS)/ Mortgage Backed Securities (MBS)/ Commercial Mortgage-Backed Securities (CMBS).

[3] Market capitalization information is unavailable for Private Companies.

[4] Market capitalization information is unavailable for Treasuries.

Credit Ratings and market capitalization information for Credit Default Swaps (CDS) and Interest Rate Swaps are from underlying securities.

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

Note: *A definition of key terms can be found on page 15*

CREDIT RATING* (as of 2/28/13)

	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure	% of Gross Exposure Change vs. Previous Month End
AAA[1]	867,234,510	24.76%	(558,157,604)	31.84%	1,425,392,114	27.12%	-0.58%
AA	-	0.00%	-	0.00%	-	0.00%	0.00%
A[2]	78,830,559	2.25%	(45,910,276)	2.62%	124,740,835	2.37%	-0.38%
BBB	287,601,279	8.21%	(193,760,384)	11.05%	481,361,663	9.16%	-1.60%
BB	362,979,317	10.36%	(131,934,769)	7.53%	494,914,086	9.42%	-1.13%
B	892,582,759	25.48%	(179,906,474)	10.26%	1,072,489,233	20.41%	-2.62%
CCC	391,100,270	11.17%	(41,648,466)	2.38%	432,748,736	8.23%	-1.76%
CC	-	0.00%	(5,460,370)	0.31%	5,460,370	0.10%	-0.01%
C	-	0.00%	-	0.00%	-	0.00%	0.00%
D	-	0.00%	-	0.00%	-	0.00%	0.00%
Not Rated	622,338,108	17.77%	(596,243,369.10)	34.01%	1,218,581,477	23.19%	8.09%
Total	**3,502,666,802**	**100.00%**	**(1,753,021,712)**	**100.00%**	**5,255,688,514**	**100.00%**	

PRODUCT TYPE (as of 2/28/13)

	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure	% of Gross Exposure Change vs. Previous Month End
Asset Backed Securities (ABS)	424,441	0.01%	-	0.00%	424,441	0.01%	0.00%
Agency Mortgage ARM	911,468	0.03%	-	0.00%	911,468	0.02%	0.00%
Agency Mortgage CMO	30,605,848	0.87%	-	0.00%	30,605,848	0.58%	-0.11%
Bank Loan	577,861,198	16.50%	-	0.00%	577,861,198	10.99%	1.23%
Credit Default Swap (CDS) Index	-	0.00%	(62,509,197)	3.57%	62,509,197	1.19%	-0.20%
Commercial Mortgage Backed Securities (CMBS)	-	0.00%	-	0.00%	-	0.00%	0.00%
Convertible	194,253,139	5.55%	(45,565,827)	2.60%	239,818,966	4.56%	-1.72%
Corp CDS	6,214,946	0.18%	(433,465,924)	24.73%	439,680,870	8.37%	-1.23%
Corp Credit	1,178,170,393	33.64%	(68,221,277)	3.89%	1,246,391,670	23.72%	-5.92%
Equity	30,719,853	0.88%	(135,650,456)	7.74%	166,370,309	3.17%	-0.54%
Equity Index Future	-	0.00%	(47,027,224)	2.68%	47,027,224	0.89%	0.40%
Equity Index Option	406,840,455	11.62%	(407,410,524)	23.24%	814,250,979	15.49%	9.64%
Equity Option	8,098,487	0.23%	(27,978,582)	1.60%	36,077,069	0.69%	-0.37%
Equity Warrant	26,849,685	0.77%	-	0.00%	26,849,685	0.51%	-0.11%
Exchange Traded Fund (ETF)	11,439,878	0.33%	(4,675,721)	0.27%	16,115,599	0.31%	0.25%
Government Bonds	-	0.00%	-	0.00%	-	0.00%	0.00%
Money Market	859,432,802	24.54%	-	0.00%	859,432,802	16.35%	1.39%
Mortgage/Collateralized Mortgage Obligations	27,843,700	0.79%	-	0.00%	27,843,700	0.53%	-0.10%
Preferred	143,000,509	4.08%	-	0.00%	143,000,509	2.72%	-0.76%
Treasury Future	-	0.00%	(520,516,979)	29.69%	520,516,979	9.90%	-1.83%
Total	**3,502,666,802**	**100.00%**	**(1,753,021,712)**	**100.00%**	**5,255,688,514**	**100.00%**	

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

[1] All government bonds are rated AAA.

[2] All agency Mortgage Backed Securities (MBS) are rated A.

Credit Ratings:

AAA and AA:	High credit-quality investment grade
A and BBB:	Medium credit-quality investment grade
BB, B, CCC, CC, C:	Low credit-quality (non-investment grade), or "junk bonds"
Not Rated:	Bonds currently not rated

*Credit ratings listed are subject to change. Credit quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). "NR" is used to classify securities for which a rating is not available. The Adviser receives credit quality ratings on underlying securities of the portfolio from the three major ratings agencies - Moody's Investors Service (Moody's), Fitch Ratings (Fitch), and Standard & Poor's (S&P). When calculating the credit quality breakdown, the Adviser utilizes Moody's and if Moody's is not available the manager selects the lower rating of S&P and Fitch.

Note: *A definition of key terms can be found on page 15*

SPREAD DISTRIBUTION* ($M) (as of 2/28/13)

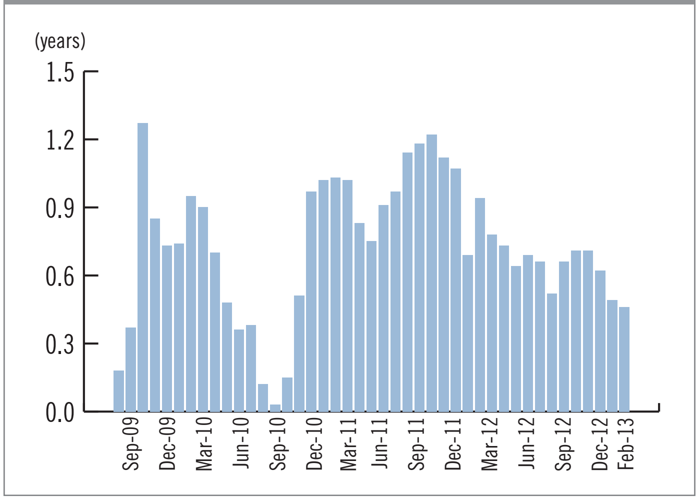
		0-100	100-200	200-300	300-400	400-500	500-600	600-700	700-800	800-900	900-1000	>1000	Total
Money Market	L. Exp.	859,432,802	-	-	-	-	-	-	-	-	-	-	859,432,802
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	859,432,802	-	-	-	-	-	-	-	-	-	-	859,432,802
ABS	L. Exp.	424,441	-	-	-	-	-	-	-	-	-	-	424,441
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	424,441	-	-	-	-	-	-	-	-	-	-	424,441
Agency Mortgage ARM	L. Exp.	911,468	-	-	-	-	-	-	-	-	-	-	911,468
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	911,468	-	-	-	-	-	-	-	-	-	-	911,468
Agency Mortgage CMO	L. Exp.	30,605,848	-	-	-	-	-	-	-	-	-	-	30,605,848
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	30,605,848	-	-	-	-	-	-	-	-	-	-	30,605,848
Mortgage CMO	L. Exp.	27,843,700	-	-	-	-	-	-	-	-	-	-	27,843,700
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	27,843,700	-	-	-	-	-	-	-	-	-	-	27,843,700
Bank Loan	L. Exp.	-	-	2,013,911	251,850,109	103,820,483	64,292,559	132,967,774	10,261,123	12,655,240	-	-	577,861,198
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	-	-	2,013,911	251,850,109	103,820,483	64,292,559	132,967,774	10,261,123	12,655,240	-	-	577,861,198
Corp. Credit	L. Exp.	69,798,680	95,751,231	184,859,923	285,367,971	151,556,588	64,053,055	71,914,728	61,704,742	74,619,828	41,059,935	77,483,713	1,178,170,393
	S. Exp.	-	-	-	(62,415,626)	-	(5,805,651)	-	-	-	-	-	(68,221,277)
	Net Exp.	69,798,680	95,751,231	184,859,923	222,952,344	151,556,588	58,247,405	71,914,728	61,704,742	74,619,828	41,059,935	77,483,713	1,109,949,116
Convertible Bond	L. Exp.	86,726,853	-	-	54,949,026	2,866,952	-	-	-	-	-	49,710,308	194,253,139
	S. Exp.	(37,640,625)	(7,925,202)	-	-	-	-	-	-	-	-	-	(45,565,827)
	Net Exp.	49,086,228	(7,925,202)	-	54,949,026	2,866,952	-	-	-	-	-	49,710,308	148,687,312
Preferred	L. Exp.	-	9,110,234	-	88,979,193	25,704,986	-	-	-	-	-	19,206,096	143,000,509
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	-	9,110,234	-	88,979,193	25,704,986	-	-	-	-	-	19,206,096	143,000,509
Equity	L. Exp.	30,719,853	-	-	-	-	-	-	-	-	-	-	30,719,853
	S. Exp.	(135,650,456)	-	-	-	-	-	-	-	-	-	-	(135,650,456)
	Net Exp.	(104,930,604)	-	-	-	-	-	-	-	-	-	-	(104,930,604)
Equity Option	L. Exp.	8,098,487	-	-	-	-	-	-	-	-	-	-	8,098,487
	S. Exp.	(27,978,582)	-	-	-	-	-	-	-	-	-	-	(27,978,582)
	Net Exp.	(19,880,096)	-	-	-	-	-	-	-	-	-	-	(19,880,096)
Equity Warrant	L. Exp.	26,849,685	-	-	-	-	-	-	-	-	-	-	26,849,685
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	26,849,685	-	-	-	-	-	-	-	-	-	-	26,849,685
Equity Index Option	L. Exp.	406,840,455	-	-	-	-	-	-	-	-	-	-	406,840,455
	S. Exp.	(407,410,524)	-	-	-	-	-	-	-	-	-	-	(407,410,524)
	Net Exp.	(570,069)	-	-	-	-	-	-	-	-	-	-	(570,069)
Treasury Futures	L. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	S. Exp.	(520,516,979)	-	-	-	-	-	-	-	-	-	-	(520,516,979)
	Net Exp.	(520,516,979)	-	-	-	-	-	-	-	-	-	-	(520,516,979)
Corp. CDS	L. Exp.	4,195,653	-	-	-	-	2,019,293	-	-	-	-	-	6,214,946
	S. Exp.	(236,423,530)	(85,214,600)	(31,469,244)	(45,060,312)	(5,040,931)	(9,025,289)	(12,483,576)	-	(8,748,443)	-	-	(433,465,924)
	Net Exp.	(232,227,877)	(85,214,600)	(31,469,244)	(45,060,312)	(5,040,931)	(7,005,996)	(12,483,576)	-	(8,748,443)	-	-	(427,250,978)
CDS Index	L. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	S. Exp.	(7,798,545)	-	-	(54,710,652)	-	-	-	-	-	-	-	(62,509,197)
	Net Exp.	(7,798,545)	-	-	(54,710,652)	-	-	-	-	-	-	-	(62,509,197)
ETF	L. Exp.	11,439,878	-	-	-	-	-	-	-	-	-	-	11,439,878
	S. Exp.	(4,675,721)	-	-	-	-	-	-	-	-	-	-	(4,675,721)
	Net Exp.	6,764,157	-	-	-	-	-	-	-	-	-	-	6,764,157
Equity Index Future	L. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	S. Exp.	(47,027,224)	-	-	-	-	-	-	-	-	-	-	(47,027,224)
	Net Exp.	(47,027,224)	-	-	-	-	-	-	-	-	-	-	(47,027,224)
Combined	L. Exp.	1,563,887,802	104,861,465	186,873,835	681,146,298	283,949,008	130,364,907	204,882,502	71,965,865	87,275,068	41,059,935	146,400,117	3,502,666,802
	S. Exp.	(1,425,122,186)	(93,139,802)	(31,469,244)	(162,186,591)	(5,040,931)	(14,830,940)	(12,483,576)	-	(8,748,443)	-	-	(1,753,021,712)
	Net Exp.	138,765,616	11,721,663	155,404,591	518,959,707	278,908,078	115,533,967	192,398,926	71,965,865	78,526,625	41,059,935	146,400,117	1,749,645,090
	%	**7.93%**	**0.67%**	**8.88%**	**29.66%**	**15.94%**	**6.60%**	**11.00%**	**4.11%**	**4.49%**	**2.35%**	**8.37%**	**100.00%**

Source: Bloomberg *Spread differential between the underlying securities and Treasury bonds in basis points. The chart above measures the excess yield (in basis points) that these securities provide over the yield offered by U.S. treasuries of comparable maturities according to market prices at the end of the month. We then define the security type, as well as the Fund's long and short exposure, and plot these exposures based on current market values to show a more accurate view of where the Fund's capital is allocated than can be depicted by simply defining exposures by credit rating or security type.

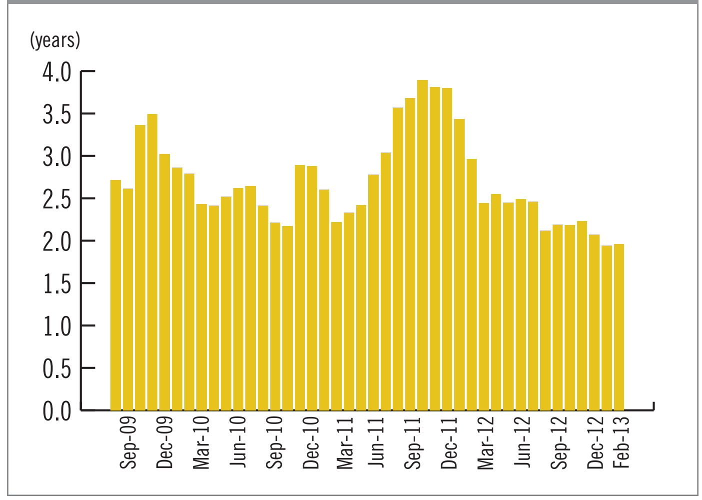
Note: *A definition of key terms can be found on page 15*

Data as of 2/28/2013

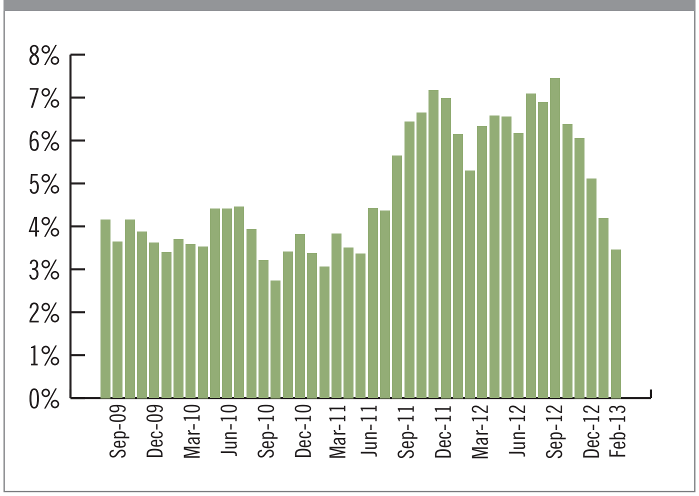
LCMAX EFFECTIVE DURATION



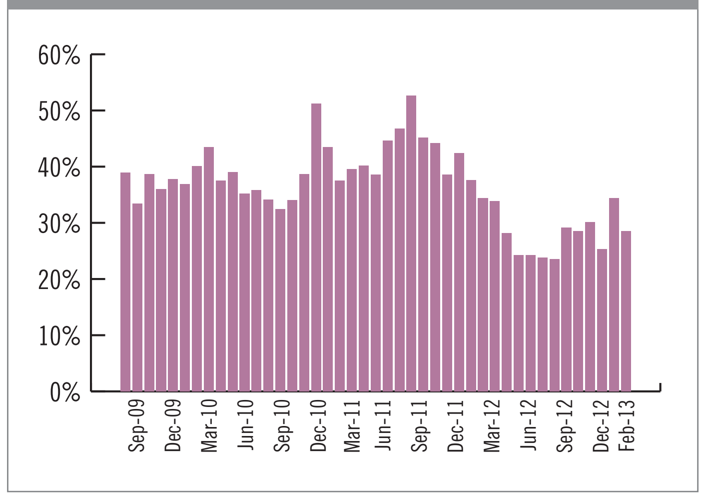
LCMAX EFFECTIVE SPREAD DURATION



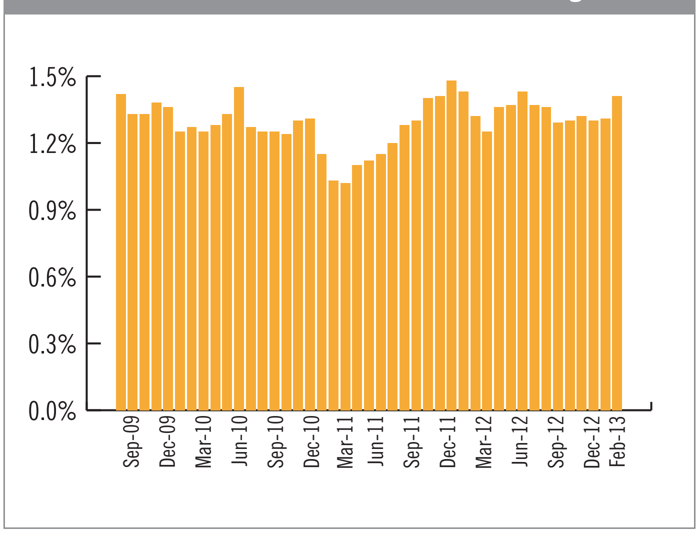
LCMAX AVERAGE YIELD



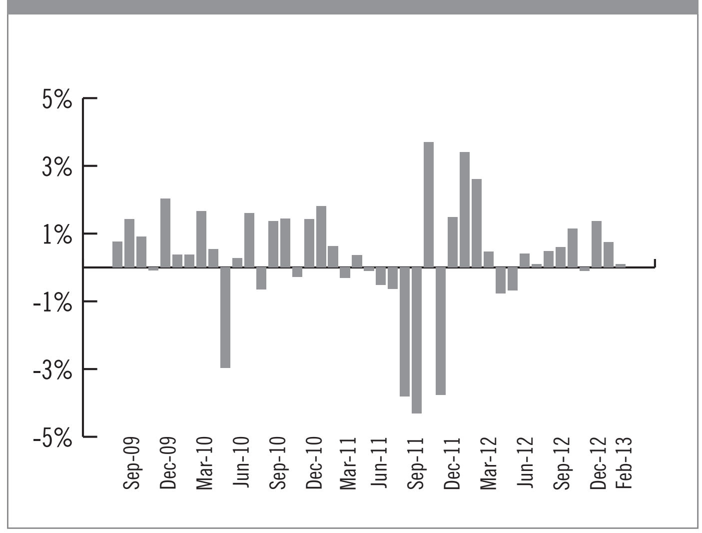
LCMAX NET EXPOSURE / AUM (Excluding Cash)



LCMAX GROSS EXPOSURE/AUM (Excluding Cash)



LCMAX MONTHLY RETURN*



Sources: Driehaus Capital Management LLC, Bloomberg

Note: *A definition of key terms can be found on page 15*

*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.

INDUSTRY GROUP (as of 2/28/13)

GICS[1]	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Automobiles & Components	111,052,916	3.17%	(86,863,315)	4.96%	197,916,231	3.77%
Capital Goods	211,844,922	6.05%	(19,522,235)	1.11%	231,367,157	4.40%
Commercial & Professional Services	20,240,388	0.58%	(29,069,976)	1.66%	49,310,364	0.94%
Consumer Durables & Apparel	19,354,706	0.55%	(89,708,886)	5.12%	109,063,592	2.08%
Consumer Services	199,592,240	5.70%	(17,291,965)	0.99%	216,884,204	4.13%
Diversified Financials	214,168,079	6.11%	(52,670,911)	3.00%	266,838,989	5.08%
Energy	151,902,787	4.34%	(20,218,823)	1.15%	172,121,610	3.27%
Food & Staples Retailing	104,172,490	2.97%	(20,606,282)	1.18%	124,778,772	2.37%
Food Beverage & Tobacco	18,423,384	0.53%	(16,241,388)	0.93%	34,664,772	0.66%
Health Care Equipment & Services	89,775,818	2.56%	(2,167,728)	0.12%	91,943,546	1.75%
Home Equity ABS	304,277	0.01%	-	0.00%	304,277	0.01%
Household & Personal Products	13,527,932	0.39%	-	0.00%	13,527,932	0.26%
Insurance	32,886,661	0.94%	(20,376,722)	1.16%	53,263,383	1.01%
Materials	59,922,394	1.71%	(18,222,091)	1.04%	78,144,485	1.49%
Media	53,934,546	1.54%	-	0.00%	53,934,546	1.03%
Money Market	859,432,802	24.54%	-	0.00%	859,432,802	16.35%
Pharmaceuticals, Biotechnology & Life Sciences	58,595,893	1.67%	-	0.00%	58,595,893	1.11%
Real Estate	31,004,315	0.89%	(90,002,490)	5.13%	121,006,805	2.30%
Retailing	178,166,596	5.09%	(49,510,366)	2.82%	227,676,962	4.33%
Semiconductors & Semiconductor	21,884,253	0.62%	-	0.00%	21,884,253	0.42%
Software & Services	128,604,732	3.67%	(83,393,111)	4.76%	211,997,843	4.03%
Technology Hardware & Equipment	160,244,438	4.57%	(53,576,826)	3.06%	213,801,264	4.07%
Telecommunication Services	230,166,334	6.57%	(13,460,370)	0.77%	243,626,703	4.64%
Transportation	2,019,293	0.06%	-	0.00%	2,019,293	0.04%
Other[2]						
ABS	120,165	0.00%	-	0.00%	120,165	0.00%
Agency Mortgage ARM	911,468	0.03%	-	0.00%	911,468	0.02%
Agency Mortgage CMO	30,605,848	0.87%	-	0.00%	30,605,848	0.58%
Banks	35,501,757	1.01%	-	0.00%	35,501,757	0.68%
CDX HY Index	-	0.00%	(28,070,925)	1.60%	28,070,925	0.53%
ETF	19,538,365	0.56%	(32,654,303)	1.86%	52,192,669	0.99%
Holding Companies-Divers	10,102,849	0.29%	-	0.00%	10,102,849	0.19%
iTraxx Crossover Index	-	0.00%	(34,438,273)	1.96%	34,438,273	0.66%
Mortgage CMO	20,293	0.00%	-	0.00%	20,293	0.00%
NDX Index	6,390,040	0.18%	(7,302,249)	0.42%	13,692,289	0.26%
RUT Index	8,201,138	0.23%	(4,672,689)	0.27%	12,873,827	0.24%
S&P 500 E-Mini	-	0.00%	(47,027,224)	2.68%	47,027,224	0.89%
Sovereign	-	0.00%	(520,516,979)	29.69%	520,516,979	9.90%
SPX Index	385,744,293	11.01%	(393,179,445)	22.43%	778,923,738	14.82%
VIX Index	6,504,984	0.19%	(2,256,141)	0.13%	8,761,125	0.17%
WL Collateral CMO	27,823,407	0.79%	-	0.00%	27,823,407	0.53%
Total	**3,502,666,802**	**100.00%**	**(1,753,021,712)**	**100.00%**	**5,255,688,514**	**100.00%**

Sources: Bloomberg, Global Industry Classification Standard, Driehaus Capital Management LLC
Industry sector information for CDS and Interest Rate Swaps is from underlying securities.
[1] The Global Industry Classification Standard (GICS), a collaboration between Standard & Poor's and Morgan Stanley Capital International, is system of classification that identifies a company according to its business activity.
[2] The Other Industry Group data is not categorized within the GICS classification system.
Note: *A definition of key terms can be found on page 15*

INDUSTRY SECTOR (as of 2/28/13)

	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
GICS[1]						
Consumer Discretionary	562,101,003	16.05%	(243,374,532)	13.88%	805,475,535	15.33%
Consumer Staples	136,123,806	3.89%	(36,847,671)	2.10%	172,971,477	3.29%
Energy	151,902,787	4.34%	(20,218,823)	1.15%	172,121,610	3.27%
Financials	313,560,812	8.95%	(163,050,123)	9.30%	476,610,935	9.07%
Health Care	148,371,711	4.24%	(2,167,728)	0.12%	150,539,439	2.86%
Industrials	234,104,603	6.68%	(48,592,211)	2.77%	282,696,814	5.38%
Information Technology	310,713,424	8.87%	(136,969,936)	7.81%	447,683,360	8.52%
Materials	59,922,394	1.71%	(18,222,091)	1.04%	78,144,485	1.49%
Telecommunication Services	230,166,334	6.57%	(13,460,370)	0.77%	243,626,703	4.64%
Utilities	-	0.00%	-	0.00%	-	0.00%
Other[2]						
Asset Backed Securities	424,441	0.01%	-	0.00%	424,441	0.01%
CDS Index	-	0.00%	(62,509,197)	3.57%	62,509,197	1.19%
Diversified	10,102,849	0.29%	-	0.00%	10,102,849	0.19%
Equity Index	400,335,471	11.43%	(452,181,607)	25.79%	852,517,078	16.22%
ETF	19,538,365	0.56%	(32,654,303)	1.86%	52,192,669	0.99%
FX Cash	-	0.00%	-	0.00%	-	0.00%
U.S. Government	-	0.00%	(520,516,979)	29.69%	520,516,979	9.90%
MBS	-	0.00%	-	0.00%	-	0.00%
Money Market	859,432,802	24.54%	-	0.00%	859,432,802	16.35%
Mortgage Securities	59,361,016	1.69%	-	0.00%	59,361,016	1.13%
Volatility Index	6,504,984	0.19%	(2,256,141)	0.13%	8,761,125	0.17%
Total	**3,502,666,802**	**100.00%**	**(1,753,021,712)**	**100.00%**	**5,255,688,514**	**100.00%**

Sources: Bloomberg, Global Industry Classification Standard

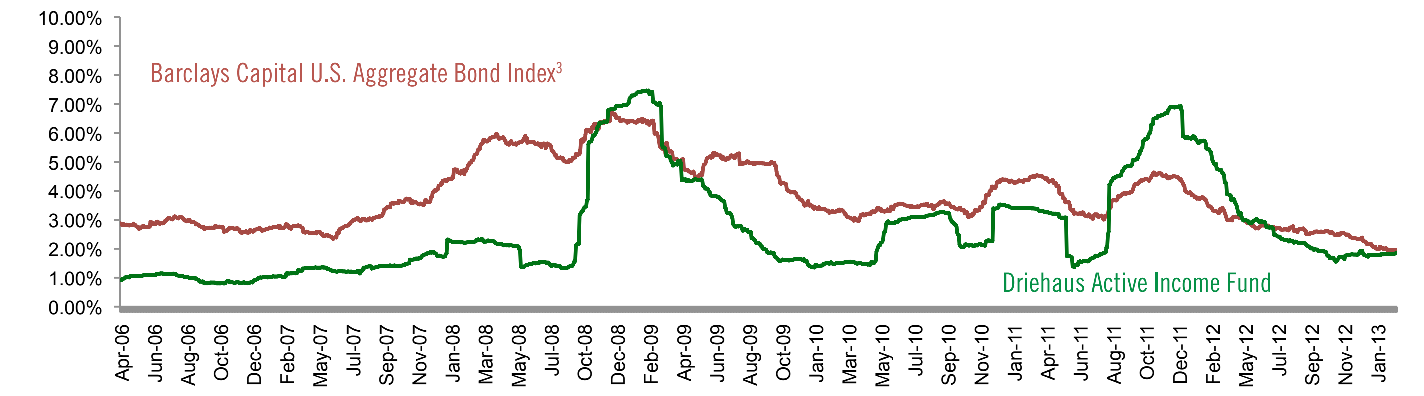
[1] The Global Industry Classification Standard (GICS), a collaboration between Standard & Poor's and Morgan Stanley Capital International, is a system of classification that identifies a company according to its business activity.

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

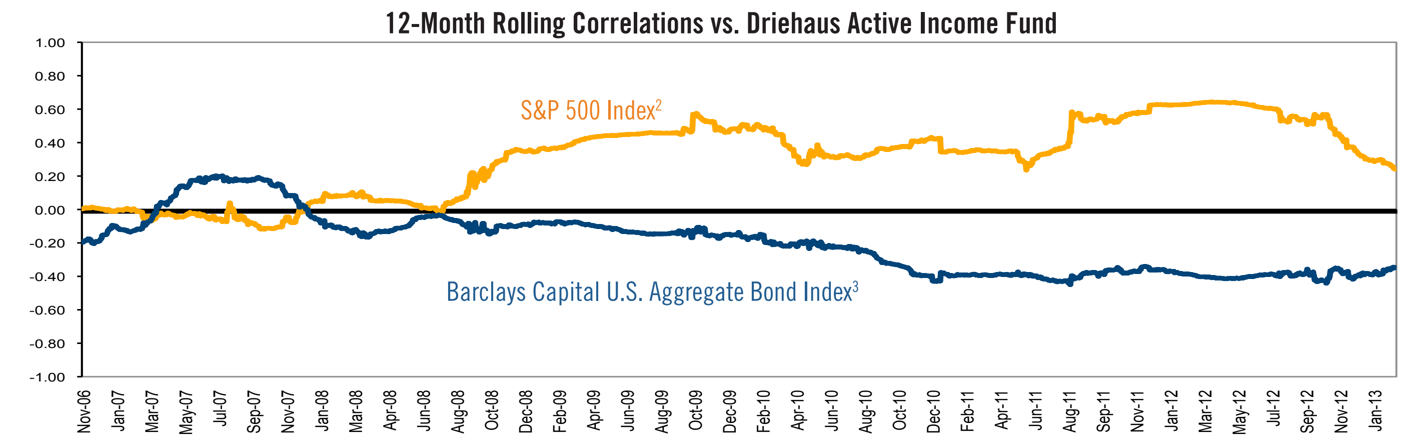
Industry group information for Credit Default Swaps and Interest Rate Swaps is from underlying securities.

Note: *A definition of key terms can be found on page 15*

100-DAY VOLATILITY (as of 2/28/13)



CORRELATION[1] COMPARISON (as of 2/28/13)



Sources: Standards & Poor's ("S&P") 500 Index total return data from Bloomberg. Barclays Capital U.S. Aggregate Bond Index data from Barclays Capital

The benchmarks for the Driehaus Active Income Fund are the Citigroup 3-Month T-Bill and the Barclays Capital U.S. Aggregate Bond Index. The S&P 500 Index is shown for illustrative purposes only.

[1] Correlation is a statistical measure of how return sets move in relation to each other. Correlation is computed into what is known as the correlation coefficient, which ranges between -1 and +1. Perfect positive correlation (a correlation co-efficient of +1) implies that as one security moves, either up or down, the other security will move in lockstep, in the same direction. Alternatively, perfect negative correlation means that if one security moves in either direction the security that is perfectly negatively correlated will move by an equal amount in the opposite direction. If the correlation is 0, the movements of the securities are said to have no correlation; they are completely random. The S&P 500 Index and the Barclays Capital U.S. Aggregate Bond Index are recognized proxies for the U.S. fixed income market.

[2] The 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.

[3] The Barclays Capital U.S. Aggregate Bond Index is a broad base index, maintained by Barclays Capital, used to represent investment grade bonds being traded in the United States.

The Driehaus Active Income Fund (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. 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. 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.

Please consider the investment objectives, risks, fees and expenses of the Fund carefully prior to investing. The prospectus and summary prospectus contains 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 March 8, 2013 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.

FUND INFORMATION

The Fund invests primarily in U.S. fixed income and floating rate securities, of both investment and non-investment grade credit quality, as well as equities and derivative instruments. The Fund intends to pursue its fundamental opportunistic “bottom-up” trading approach using the following investment strategies:

Capital Structure Arbitrage – attempt to exploit pricing inefficiencies between two securities of the same company. Example: buying a debt instrument that is believed to be undervalued while simultaneously shorting a subordinated debt instrument of the same issuer that is believed to be overvalued.

Convertible Arbitrage – attempt to profit from changes in a company’s equity volatility or credit quality by purchasing a convertible bond and simultaneously shorting the same issuer’s common stock.

Directional Trading – taking long or short positions in equity or corporate debt instruments in anticipation of profiting from movements in the prices of these assets.

Event Driven – attempt to profit from the consummation of a given event, e.g. a takeover, merger, reorganization or conclusion of material litigation, or based upon the perceptions of a potential pending corporate event.

Pairs Trading – attempt to exploit pricing inefficiencies between the securities of two similar companies by buying the security of one company and shorting the security of the other.

Interest Rate Hedging – attempt to reduce the performance impact of rising or falling interest rates.

Volatility Hedging – attempt to profit from extreme market volatility.

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.

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.

Equity 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.

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.

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.

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.