DRIEHAUS ACTIVE INCOME FUND

February 2014 Summary

Ticker: LCMAX

Features

- Provides differentiated exposure 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*

Fund Assets Under Management
$4.7 billion

Firm Assets Under Management
$12.7 billion

Portfolio Concentration
Flexible, best ideas approach, generally 50-75 trades

Duration Target
+/- 1 year

Volatility Target
Less than the Barclays Capital U.S. Aggregate Index (about 5%, annually)

Distributions
Quarterly dividends; annual capital gains

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

Elizabeth Cassidy
Assistant Portfolio Manager
14 years experience

Adam Abbas
Assistant Portfolio Manager
8 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.*

@DriehausCapital

From Bad to Worse

As crummy as we felt about the credit markets at the outset of the year, we feel definitively worse now. Frothy is a word that comes to mind. Yes, it's that bad.

To give you an idea, the following dramatization gives you some perspective into a day in the life of a Driehaus credit team member during the first quarter of this year. The following conversation has occurred at least twice a week during 2014. As a disclaimer, the following reenactment is fictional. Any names or likenesses to real individuals is purely coincidental.

> *Setting: Chicago, IL. Another quiet morning on the desk begins with insightful conversation between Driehaus credit team members regarding the current state of the markets.*
>
> **Credit Team Member John:** Top of the morning to you, David. Did you see that Kobe is officially done for the season?
>
> **Credit Team Member David:** Yeah, what a train wreck that contract is. Two years for $48 million and he just spent one of those years on the bench? That has to go down as one of the top 10 worst GM decisions ever. I hope we don't end up in that situation with Melo coming to the Bulls.
>
> **John:** Melo on the Bulls would be such a tire fire. What part of the Nuggets getting better since he left and the Knicks getting worse since he joined do people not understand?! Oh wait, but he's in New York, so that means he must be important.
>
> **David:** No doubt. And there's the small detail that he's approaching 30, has been in the NBA since he was about 19, and has played about 100 games per year between the NBA season and the Olympics. There's no chance his skills start to erode over the next few years, right?
>
> *John's phone rings*
>
> **John:** Driehaus, this is John.
>
> **Big Bank ABC Sales Coverage Mary:** Hey John, it's Mary. How goes it?
>
> **John:** All is well. It's freezing here, but I can't complain. We were just talking about how we don't want you to ship us Melo.
>
> **Mary:** Great, that's interesting. Listen, you still own $50 million of that Celebration Inc. loan right?
>
> **John:** Yes we do, and let me guess…

Mary: It's getting refi'd. The one year of call protection has expired and we're doing the deal. Do you want to participate in the new loan?

John: What the heck? Their numbers haven't improved at all over the past year. If anything, they look worse.

Mary: Yeah I know, that's unfortunate. Look, we're taking pricing from L+400 to L+300. No covenants, six months call protection, and 101 call. On the bright side, we're leaving the Libor floor at 1%.

John: Ok, so you're taking down our coupon by 100 basis points, removing our covenants, shortening our call protection from one year to six months, and lowering our call price from 102 to 101?

Mary: Yes, that's correct.

John: No offense but that's garbage. Let me talk it over with the team and we'll call you back to let you know if we want to play.

Mary: Sounds good, but don't take too long. The order book is filling up.

John to Team: So our Celebration loan is going bye-bye. The company is calling it. Big bank ABC is doing the deal. 1% less of coupon, no covenants, 101 call in six months.

Team member Jane: That's awful, who would sign up for that?

Team member J.R.: I'm gonna be sick.

David: So you're telling me we've got $50 million more of cash?

John calls Mary

John: Hey Mary, it's John. There was a collective barf from the team when they heard the new deal terms. We're gonna have to pass.

Mary: Ok, that's no problem. The book is 2.5 times covered right now without you and I still have some calls to make.

John: Are you serious?! It's only been like 10 minutes. And who signs up for that thing?!

Mary: The long-only guys. The floating rate funds are choking on flows. They can't just go to cash and have one of their biggest holdings go away. What are they going to do, go try to buy $100 million of loans in the secondary? Good luck with that.

John: That's terrible. This loan went from mildly attractive to downright ugly.

Mary: I know, but my syndication desk tells me it may actually price tighter than L+300 due to demand.

John: Oh, lord. It's back to 2006.

Mary: Agreed. How quickly we forget. Oh well, I've gotta go take some orders. Have a good one, John.

John: You too. Good luck.

End of scene

So there you have it, that's our little world of credit in one quick scene. We have a few choices given our conservative outlook for the credit markets. We can try to keep the funds in the same defensive posture they have been in for the past year. But to accomplish that, we must be willing to reinvest capital in inferior new deals as our existing, moderately attractive positions steadily get called away from us. Technically speaking, that doesn't even get us back to where we were, since the new deals provide less in coupon and call protection than the old ones. So even if we're willing to ante up for every single one of these new ugly deals, the coupon and expected rate of return on the portfolio still drops.

Another option is to get more aggressive and adopt the attitude that there's no foreseeable catalyst for credit to turn risk-off. The positive to that option is that we might outperform our peers by a percent or two for a while. Of course, if the world did turn risk-off, then we might underperform by 5 to 10%. Given that we think the credit markets look rich, I'd prefer to take this option off the table.

Driehaus Alternative Strategies

Please visit our website or click a fund below to download a monthly commentary:

- **Driehaus Active Income Fund (LCMAX)**
- **Driehaus Select Credit Fund (DRSLX)**
- **Driehaus Event Driven Fund (DEVDX)**
- **Driehaus Emerging Markets Small Cap Growth Fund (DRESX)**

Then there's the bold move. We could drop our net exposures close to zero by dramatically lifting our short exposures. But as famed credit investor Howard Marks recently alluded to in one of his letters (which are always a great read for those who don't follow), being too early on calling a market top is akin to being too early to call a market bottom. Shorting has a cost, and though it is quite low right now, providing our investors with small negative returns for a period of years could prove rather tiresome for us all. In fact, there are several well-known portfolio managers and market pundits who have tried that model without much success (hence the career transition to punditry).

I anticipate that our actions will continue to be a mix of seeking moderate returns as the funds steadily are de-risked. I can tell you that we have only participated in a handful of the 20 or so refinancings that have occurred in our funds thus far this year. As you have likely noticed, that makes our cash positions rise and our yields grind lower. Life could be worse, but that's the harsh reality of the situation. This prevents us from trying to call a market top, as the current market environment may persist for years. At the same time, we are slowly and consistently allowing the portfolio to de-risk as these exposures roll off. I think that's what you pay us to do—make the most prudent decisions that we can based on what we see. I can tell you that I see froth, and now is not the time to be increasing, or even maintaining your credit risk. If you were in an equity fund that had gone straight up for years, you likely would occasionally rebalance that portfolio. When high yield spreads dip below 400 basis points and investment grade spreads approach 125 basis points, I believe you should do some de-risking in credit. I'd argue that's particularly true when loan deals have no covenants and six months of call protection, and convertible bonds are being priced with a 0.5% coupon and 50% premium.

That's not to say we have nothing to do but watch our portfolio get called away. I believe event-related activity will be quite strong this year. Cash balances are high, equity valuations are reasonable, companies have been conservatively managed for years, and private equity buyers know that there are plenty of fixed income dopes willing to provide companies with loans that have no covenants and miniscule coupons. If that's not a dream scenario for LBO activity, I don't know what is. Additionally, I'd argue that volatility is generically underpriced. We're finding a number of situations where single name volatility is lower than we think it should be, and that presents a trade for us. Lastly, tight spreads and frothy market conditions make many of our capital structure trades more appealing as we can get long the senior level of a company's capital structure and short its junior securities. An increase in credit risk can quickly cause the differential between the two levels to widen.

I apologize for sounding like a broken record. I am aware that we've been quite pessimistic on the credit markets for several quarters now. It has gotten so bad that I've been accused twice over the past month of being a perma-bear. I had a good-hearted cackle at both of the accusations. It was only a little more than two years ago when I was accused several times of being a perma-bull and running a closeted high yield bond fund. Time flies when you're having fun.

That's enough of this bond talk. You have NCAA brackets to fill out. Since I can't provide you with compelling buy opportunities in the credit markets, I'll try my best to help you in your office pool. I occasionally watch college basketball and dabble in its team statistics. Let's start with Duke. They're pretty good but I'll be surprised if they make it to the Final 4. They don't have enough size and are still a bit too dependable on the 3 for my liking. I liked Kansas a lot, but they are now done with their big man Embiid out. UNC can't shoot and will likely get booted in the first or second round. Louisville is peaking at the right time and is extremely well-coached. Florida may have the most well-rounded team, but it's tough to tell since the SEC's basketball is about as bad as the Big 10's football has been for the past few years. As for my pick, I'm going with the Shocker*. Wichita State has essentially the same team that went to the Final 4 as last year. Butler, George Mason, and Florida Gulf Coast have all made deep runs in the tourney in recent history only to fall just a bit short. I think this is the year that a mid-major gets it done.

*As a footnote, it should be noted that I drafted this letter last week, prior to seeing what the geniuses on the NCAA Selection Committee conjured up for the Shockers in the Midwest region. Duke as a 3, the Ville as a 4 and Kentucky as an 8?! You have to be kidding. So after seeing the bracket, I think you want your winner coming from the East region. If the Midwest is the open ocean, the East is a kiddie pool. So though I don't think they're the best team, I'll go with Michigan State. They're a legit top 10 team now that they're healthy, they have one of the three coaches who you'd most want to be long this time of year (K and Pitino being the other two), and they wouldn't face an elite team until the Final Four.

Best of luck out there,

K.C. Nelson

K.C. Nelson, *Portfolio Manager*

Performance Commentary

February was generally a good month for all risk assets after a weak start to the year. While the month started with disappointing ISM Manufacturing data, investors increasingly came to the conclusion that the extreme winter weather was to blame for the economic data rolling over. As a result, most market participants began to look beyond the near-term hiccups in the data and focused on the improving overall outlook, positive corporate earnings releases, and the more favorable future guidance on earnings.

The S&P 500 Index rallied 4.6% during February and high yield bonds returned approximately 2% as spreads compressed 40 basis points. CCC's lead the charge tighter, improving 55 basis points while other lower risk fixed income classes, including investment grade debt and loans, improved only 8 basis points and 5 basis points, respectively.

The Driehaus Active Income Fund returned 0.37% for the month, driven primarily by the directional long (+0.34%), capital structure arbitrage (+0.15%), and event driven (+0.11%) strategies. Key detracting strategies for the month include the volatility trading (-0.09%), the directional short (-0.05%) and pairs trading strategies (-0.05%).[1]

On a trade specific basis, a capital structure arbitrage trade on a large casino operator was the single largest contributor to the fund during the month with an estimated impact of 5 basis points. The fund also had a positive return from an event driven trade in a small exploration and production company that contributed 4 basis points during the month. On the negative side, the biggest detractor was a volatility trade on oil that detracted 7 basis points as oil moved materially higher with the general risk-on moves in the market. Additionally, a pairs trade on two chemical companies detracted from fund performance by 5 basis points during the month.

[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.

DRIEHAUS ACTIVE INCOME FUND PERFORMANCE RECAP

MONTH-END PERFORMANCE AS OF 2/28/14

				Average Annual Total Return			
Fund/Index	**Feb**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**Since Inception[1]**
Driehaus Active Income Fund[2]	**0.37%**	**0.37%**	**2.50%**	**1.36%**	**5.91%**	----	**4.69%**
Citigroup 3-Month T-Bill Index[3]	0.00%	0.01%	0.05%	0.06%	0.09%	----	1.47%
Barclays Capital U.S. Aggregate Bond Index[4]	0.53%	2.02%	0.15%	3.83%	5.13%	----	5.30%

CALENDAR QUARTER-END PERFORMANCE AS OF 12/31/13

				Average Annual Total Return			
Fund/Index	**4th QTR**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**Since Inception[1]**
Driehaus Active Income Fund[2]	**1.24%**	**2.99%**	**2.99%**	**2.05%**	**6.42%**	----	**4.74%**
Citigroup 3-Month T-Bill Index[3]	0.01%	0.05%	0.05%	0.07%	0.10%	----	1.50%
Barclays Capital U.S. Aggregate Bond Index[4]	-0.14%	-2.02%	-2.02%	3.27%	4.45%	----	5.14%

Annual Fund Operating Expenses[5]	
Management Fee	0.55%
Other Expenses Excluding Dividends and Interest on Short Sales	0.36%
Dividends and Interest on Short Sales	0.40%
Total Annual Fund Operating Expenses	**1.31%**

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[1]Inception Date: 11/8/2005. [2]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. [3]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. [4]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. [5]Represents the Annual Fund Operating Expenses for the year ended December 31, 2012, as disclosed in the current prospectus dated April 30, 2013. 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.

Driehaus Securities LLC, Distributor

DRIEHAUS ACTIVE INCOME FUND PORTFOLIO CHARACTERISTICS*

PORTFOLIO SNAPSHOT (as of 2/28/14)		
		Excluding Cash
Assets Under Management (AUM)	$4,688,589,600	
Long Exposure	$4,726,236,833	$3,445,327,965
Short Exposure	$(1,477,054,395)	$(1,477,054,395)
Net Exposure	$3,249,182,437	$1,968,273,570
Net Exposure/AUM	69.30%	41.98%
Gross Exposure	$6,203,291,228	$4,922,382,360
Gross Exposure/AUM	1.32x	1.05x

RISK SUMMARY (as of 2/28/14)	
Effective Duration	0.53 Years
Effective Spread Duration	1.51 Years
30-day SEC Yield	-0.10%
Portfolio Yield-To-Worst	2.22%
Average % of Par Longs	105.37%
Average % of Par Shorts	98.89%
Beta vs. S&P 500	0.01
100-Day Volatility	1.02%

TRADING STRATEGY TYPE (as of 2/28/14)

	Gross Exposure	% of Gross Exposure	% Contrib. to Total Return	% of Gross Exposure Change vs. Previous Month End
Capital Structure Arbitrage[1]	996,085,148	16.1%	0.15%	-0.4%
Convertible Arbitrage[1]	218,718,262	3.5%	0.00%	0.1%
Event Driven[1]	367,985,296	5.9%	0.11%	-0.8%
Pairs Trading[1]	28,102,450	0.5%	-0.05%	0.0%
Directional Long[1]	2,377,140,534	38.3%	0.34%	0.5%
Directional Short[1]	282,349,863	4.6%	-0.05%	-0.3%
Interest Rate Hedge[1]	553,628,895	8.9%	-0.04%	-0.2%
Volatility Trading[1]	98,371,914	1.6%	-0.09%	0.1%
Cash Equivalent	1,280,908,868	20.6%	0.00%	1.2%
Total	**6,203,291,228**	**100.0%**	**0.37%**	

MARKET CAPITALIZATION (as of 2/28/14)

BILLION	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure
$0-500mm	-	0.0%	-	0.0%
$500mm - 2bn	-	0.0%	-	0.0%
$2bn -10bn	-	0.0%	-	0.0%
$10bn - 20bn	614,579,448	13.0%	(376,241,291)	25.5%
>$20bn	373,296,918	7.9%	(191,104,271)	12.9%
ABS/MBS/CMBS[2]	*348,961,800*	*7.4%*	-	*0.0%*
Private Companies[2]	*2,108,489,799*	*44.6%*	*(356,080,255)*	*24.1%*
Treasuries[2]	-	*0.0%*	*(553,628,578)*	*37.5%*
Cash[2,3]	*1,280,908,868*	*27.1%*	-	*0.0%*
Total	**4,726,236,833**	**100.0%**	**(1,477,054,395)**	**100.0%**

Source: Bloomberg

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

[2] Market capitalization information is unavailable for these securities.

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

[3] This figure represents the fund's operating cash and the fund's bank demand deposit plus receivables for investments sold and minus payables for investments purchased.

*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 2/28/14)

	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]	1,514,005,094	32.0%	(553,628,578)	37.5%	2,067,633,673	33.3%	1.1%
AA	18,470,966	0.4%	-	0.0%	18,470,966	0.3%	0.0%
A[2]	190,809,290	4.0%	(45,807,384)	3.1%	236,616,675	3.8%	-0.1%
BBB	312,003,807	6.6%	(249,599,360)	16.9%	561,603,167	9.1%	0.0%
BB	735,083,123	15.6%	(130,400,159)	8.8%	865,483,282	14.0%	-0.5%
B	1,429,375,840	30.2%	(162,071,836)	11.0%	1,591,447,676	25.7%	-0.9%
CCC	355,501,204	7.5%	(91,141,793)	6.2%	446,642,998	7.2%	0.4%
CC	-	0.0%	(5,282,016)	0.4%	5,282,016	0.1%	0.0%
C	-	0.0%	-	0.0%	-	0.0%	0.0%
D	-	0.0%	-	0.0%	-	0.0%	0.0%
Not Rated	170,987,508	3.6%	(239,123,269)	16.2%	410,110,776.96	6.6%	-0.1%
Total	**4,726,236,833**	**100.0%**	**(1,477,054,395)**	**100.0%**	**6,203,291,228**	**100.0%**	

PRODUCT TYPE (as of 2/28/14)

	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure	% of Gross Exposure Change vs. Previous Month End
ABS	411,775	0.0%	-	0.0%	411,775	0.0%	0.0%
Agency Mortgage ARM	728,739	0.0%	-	0.0%	728,739	0.0%	0.0%
Agency Mortgage CMO	145,673,294	3.1%	-	0.0%	145,673,294	2.3%	0.0%
Bank Loan	1,218,873,479	25.8%	-	0.0%	1,218,873,479	19.6%	-1.2%
CDS Index	-	0.0%	(107,432,414)	7.3%	107,432,414	1.7%	0.1%
CMBS	18,470,966	0.4%	-	0.0%	18,470,966	0.3%	0.0%
Commodity Option	-	0.0%	(30,197,781)	2.0%	30,197,781	0.5%	-0.4%
Convertible	205,933,488	4.4%	-	0.0%	205,933,488	3.3%	0.2%
Corp CDS	22,680,450	0.5%	(458,322,557)	31.0%	481,003,007	7.8%	-0.5%
Corp Credit	1,336,953,626	28.3%	(118,954,141)	8.1%	1,455,907,767	23.5%	0.6%
Equity	36,272,941	0.8%	(154,737,883)	10.5%	191,010,824	3.1%	0.2%
Equity Index Option	-	0.0%	(30,639,072)	2.1%	30,639,072	0.5%	0.5%
Equity Warrant	22,421,181	0.5%	-	0.0%	22,421,181	0.4%	-0.3%
ETF	-	0.0%	(23,141,970)	1.6%	23,141,970	0.4%	0.0%
IR Swaption	317	0.0%	-	0.0%	317	0.0%	-0.2%
MBS	43,564,727	0.9%	-	0.0%	43,564,727	0.7%	0.0%
Mortgage CMO	183,677,026	3.9%	-	0.0%	183,677,026	3.0%	0.0%
Pfd	209,665,956	4.4%	-	0.0%	209,665,956	3.4%	0.0%
Treasury Future	-	0.0%	(553,628,578)	37.5%	553,628,578	8.9%	-0.1%
USD Cash	1,280,908,868	27.1%	-	0.0%	1,280,908,868	20.6%	1.2%
Total	**4,726,236,833**	**100.0%**	**(1,477,054,395)**	**100.0%**	**6,203,291,228**	**100.0%**	**0.0%**

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 2/28/14)

		0-100	100-200	200-300	300-400	400-500	500-600	600-700	700-800	800-900	900-1000	>1000	Total
USD Cash	L. Exp.	1,280,908,868	-	-	-	-	-	-	-	-	-	-	1,280,908,868
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	1,280,908,868	-	-	-	-	-	-	-	-	-	-	1,280,908,868
ABS	L. Exp.	233,029	-	-	178,746	-	-	-	-	-	-	-	411,775
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	233,029	-	-	178,746	-	-	-	-	-	-	-	411,775
Agency Mortgage ARM	L. Exp.	-	728,739	-	-	-	-	-	-	-	-	-	728,739
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	-	728,739	-	-	-	-	-	-	-	-	-	728,739
Agency Mortgage CMO	L. Exp.	16,717,332	128,955,962	-	-	-	-	-	-	-	-	-	145,673,294
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	16,717,332	128,955,962	-	-	-	-	-	-	-	-	-	145,673,294
Mortgage CMO	L. Exp.	124,063,257	44,278,617	15,335,153	-	-	-	-	-	-	-	-	183,677,026
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	124,063,257	44,278,617	15,335,153	-	-	-	-	-	-	-	-	183,677,026
CMBS	L. Exp.	-	-	-	-	-	18,470,966	-	-	-	-	-	18,470,966
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	-	-	-	-	-	18,470,966	-	-	-	-	-	18,470,966
Bank Loan	L. Exp.	-	998,519	-	254,359,360	573,349,404	170,314,147	55,665,530	77,338,357	10,261,162	26,941,589	49,645,410	1,218,873,479
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	-	998,519	-	254,359,360	573,349,404	170,314,147	55,665,530	77,338,357	10,261,162	26,941,589	49,645,410	1,218,873,479
Corp. Credit	L. Exp.	57,932,600	63,967,646	401,322,897	513,086,397	72,100,695	25,509,473	70,901,939	68,601,330	25,651,102	4,658,320	33,221,228	1,336,953,626
	S. Exp.	-	-	(65,409,446)	(23,049,120)	(14,988,065)	-	-	(15,507,509)	-	-	-	(118,954,141)
	Net Exp.	57,932,600	63,967,646	335,913,452	490,037,277	57,112,629	25,509,473	70,901,939	53,093,821	25,651,102	4,658,320	33,221,228	1,217,999,486
Convertible	L. Exp.	-	69,231,793	-	-	58,310,461	-	-	-	48,269,651	-	30,121,583	205,933,488
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	-	69,231,793	-	-	58,310,461	-	-	-	48,269,651	-	30,121,583	205,933,488
Pfd	L. Exp.	-	-	-	117,073,747	62,818,410	29,773,799	-	-	-	-	-	209,665,956
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	-	-	-	117,073,747	62,818,410	29,773,799	-	-	-	-	-	209,665,956
Equity	L. Exp.	-	-	-	36,272,941	-	-	-	-	-	-	-	36,272,941
	S. Exp.	(18,509,512)	(53,740,880)	-	-	(66,502,797)	(10,386,146)	-	(5,598,547)	-	-	-	(154,737,883)
	Net Exp.	(18,509,512)	(53,740,880)	-	36,272,941	(66,502,797)	(10,386,146)	-	(5,598,547)	-	-	-	(118,464,941)
Equity Index Option	L. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	S. Exp.	-	-	-	-	-	-	-	-	-	-	(30,639,072)	(30,639,072)
	Net Exp.	-	-	-	-	-	-	-	-	-	-	(30,639,072)	(30,639,072)

continues on page 10

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*

continued from page 9

SPREAD DISTRIBUTION* ($M) (as of 2/28/14)

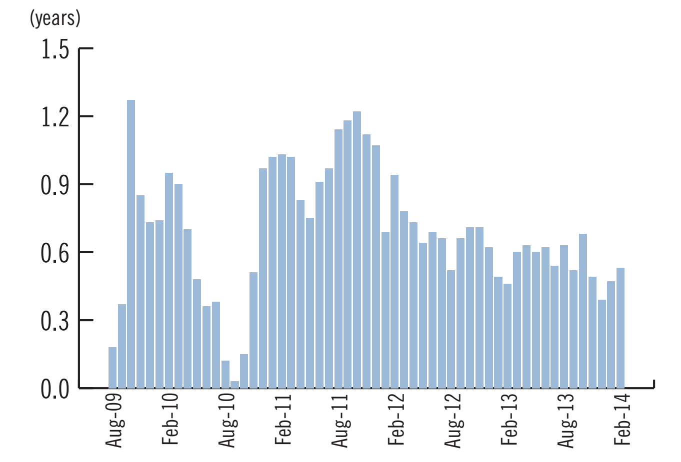
		0-100	100-200	200-300	300-400	400-500	500-600	600-700	700-800	800-900	900-1000	>1000	Total
Treasury Future	L. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	S. Exp.	(553,628,578)	-	-	-	-	-	-	-	-	-	-	(553,628,578)
	Net Exp.	(553,628,578)	-	-	-	-	-	-	-	-	-	-	(553,628,578)
Corp. CDS	L. Exp.	-	-	-	-	-	-	-	-	-	-	22,680,450	22,680,450
	S. Exp.	(89,976,936)	(168,352,759)	(68,738,021)	(17,974,951)	(50,416,721)	(14,031,446)	-	-	-	-	(48,831,722)	(458,322,557)
	Net Exp.	(89,976,936)	(168,352,759)	(68,738,021)	(17,974,951)	(50,416,721)	(14,031,446)	-	-	-	-	(26,151,272)	(435,642,107)
CDS Index	L. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	S. Exp.	-	-	(48,941,856)	-	(20,955,498)	(37,535,060)	-	-	-	-	-	(107,432,414)
	Net Exp.	-	-	(48,941,856)	-	(20,955,498)	(37,535,060)	-	-	-	-	-	(107,432,414)
ETF	L. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	S. Exp.	-	-	-	-	-	-	-	-	-	-	(23,141,970)	(23,141,970)
	Net Exp.	-	-	-	-	-	-	-	-	-	-	(23,141,970)	(23,141,970)
Commodity Option	L. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	S. Exp.	-	-	-	-	-	-	-	-	-	-	(30,197,781)	(30,197,781)
	Net Exp.	-	-	-	-	-	-	-	-	-	-	(30,197,781)	(30,197,781)
MBS	L. Exp.	-	43,564,727	-	-	-	-	-	-	-	-	-	43,564,727
	S. Exp.	-	-	-	-	-	-	-	-	-	-	-	-
	Net Exp.	-	43,564,727	-	-	-	-	-	-	-	-	-	43,564,727
Combined	L. Exp.	1,479,855,085	351,726,003	416,658,050	920,971,192	766,578,970	244,068,385	126,567,469	145,939,687	84,181,914	31,599,909	135,668,671	4,703,815,335
	S. Exp.	(662,115,027)	(222,093,639)	(183,089,323)	(41,024,072)	(152,863,082)	(61,952,652)	-	(21,106,056)	-	-	(132,810,545)	(1,477,054,395)
	Net Exp.	817,740,058	129,632,364	233,568,727	879,947,120	613,715,888	182,115,733	126,567,469	124,833,631	84,181,914	31,599,909	2,858,127	3,226,760,940
	%	**25.17%**	**3.99%**	**7.19%**	**27.08%**	**18.89%**	**5.60%**	**3.90%**	**3.84%**	**2.59%**	**0.97%**	**0.09%**	**99.31%**

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.

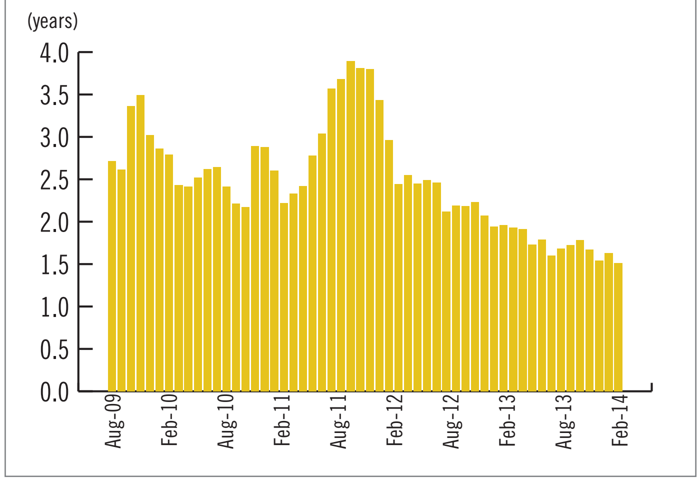
Note: *A definition of key terms can be found on page 15*

Data as of 2/28/14

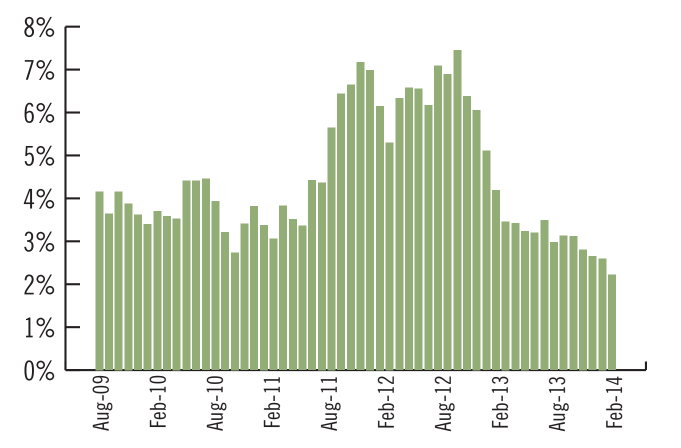
LCMAX EFFECTIVE DURATION



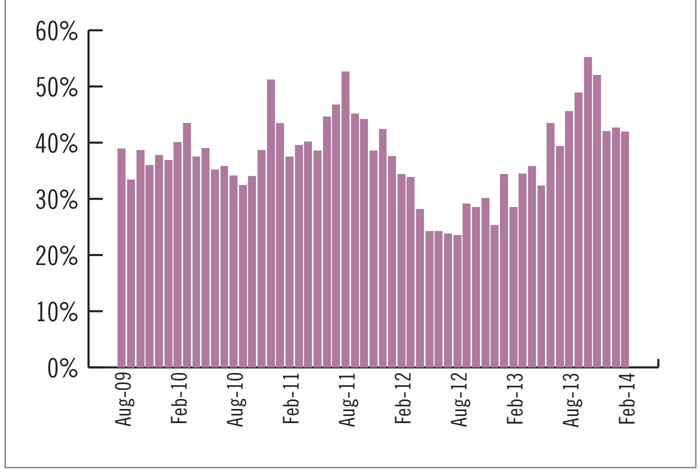
LCMAX EFFECTIVE SPREAD DURATION



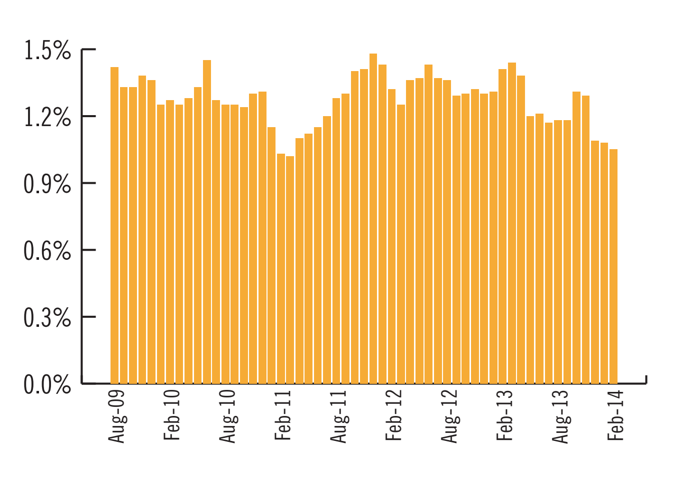
LCMAX AVERAGE YIELD



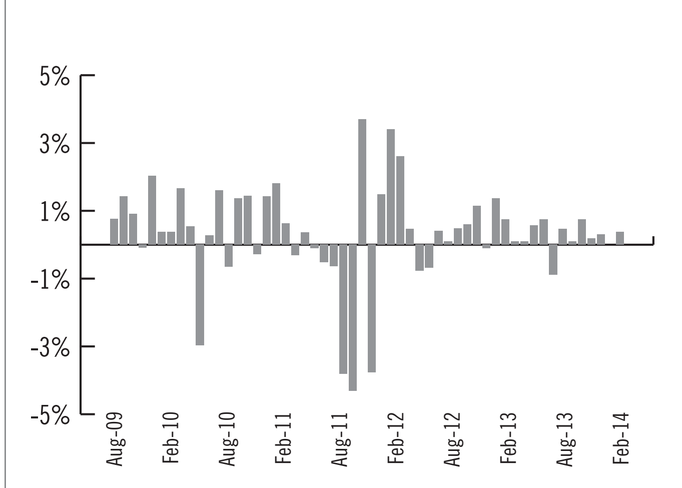
LCMAX NET EXPOSURE / AUM (Excluding Cash)



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 2/28/14)

GICS[1]	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Agency Collateral CMO	202,817,552	4.3%	-	0.0%	202,817,552	3.3%
Automobiles & Components	127,925,915	2.7%	(62,262,819)	4.2%	190,188,734	3.1%
Banks	163,263,903	3.5%	-	0.0%	163,263,903	2.6%
Capital Goods	284,305,828	6.0%	(19,787,845)	1.3%	304,093,672	4.9%
Commercial & Professional Services	40,180,231	0.9%	(30,489,176)	2.1%	70,669,407	1.1%
Consumer Durables & Apparel	27,939,698	0.6%	(53,162,523)	3.6%	81,102,222	1.3%
Consumer Services	306,175,321	6.5%	(24,835,250)	1.7%	331,010,570	5.3%
Diversified Financials	391,433,001	8.3%	(79,122,976)	5.4%	470,555,978	7.6%
Energy	184,272,057	3.9%	(77,140,459)	5.2%	261,412,516	4.2%
Food & Staples Retailing	133,012,972	2.8%	(45,847,429)	3.1%	178,860,401	2.9%
Food Beverage & Tobacco	-	0.0%	(10,073,531)	0.7%	10,073,531	0.2%
Health Care Equipment & Servic	133,657,036	2.8%	(16,838,719)	1.1%	150,495,754	2.4%
Household & Personal Products	2,180,864	0.0%	(12,336,541)	0.8%	14,517,404	0.2%
Insurance	33,307,037	0.7%	(20,220,565)	1.4%	53,527,602	0.9%
Materials	76,019,391	1.6%	(18,355,434)	1.2%	94,374,825	1.5%
Media	131,379,673	2.8%	(11,808,948)	0.8%	143,188,621	2.3%
Pharmaceuticals, Biotechnology & Life Sciences	73,494,608	1.6%	-	0.0%	73,494,608	1.2%
Real Estate	77,040,708	1.6%	(68,523,041)	4.6%	145,563,749	2.3%
Retailing	284,348,046	6.0%	(84,584,707)	5.7%	368,932,752	5.9%
Semiconductors & Semiconductor	23,057,931	0.5%	-	0.0%	23,057,931	0.4%
Software & Services	246,524,042	5.2%	(46,084,258)	3.1%	292,608,300	4.7%
Technology Hardware & Equipment	155,411,195	3.3%	-	0.0%	155,411,195	2.5%
Telecommunication Services	136,782,790	2.9%	(50,540,359)	3.4%	187,323,149	3.0%
Other[2]						
ABS	113,336	0.0%	-	0.0%	113,336	0.0%
Agency Mortgage ARM	728,739	0.0%	-	0.0%	728,739	0.0%
Agency Mortgage CMO	22,364,144	0.5%	-	0.0%	22,364,144	0.4%
CDX HY Index	-	0.0%	(20,955,498)	1.4%	20,955,498	0.3%
Commercial MBS	18,470,966	0.4%	-	0.0%	18,470,966	0.3%
Debt ETF	-	0.0%	(23,141,970)	1.6%	23,141,970	0.4%
FNMA Collateral	43,564,727	0.9%	-	0.0%	43,564,727	0.7%
Holding Companies-Divers	21,088,875	0.4%	-	0.0%	21,088,875	0.3%
Home Equity ABS	298,440	0.0%	-	0.0%	298,440	0.0%
Interest Rate Swap	317	0.0%	-	0.0%	317	0.0%
iTraxx Crossover Index	-	0.0%	(37,535,060)	2.5%	37,535,060	0.6%
iTraxx SubFin	-	0.0%	(48,941,856)	3.3%	48,941,856	0.8%
Mortgage CMO	67,139,459	1.4%	-	0.0%	67,139,459	1.1%
Sovereign	-	0.0%	(553,628,578)	37.5%	553,628,578	8.9%
SX7E Euro STOXX Bank Index	-	0.0%	(30,639,072)	2.1%	30,639,072	0.5%
USD Currency	1,280,908,868	27.1%	-	0.0%	1,280,908,868	20.6%
WL Collateral CMO	37,029,166	0.8%	-	0.0%	37,029,166	0.6%
WTI Crude Oil	-	0.0%	(30,197,781)	2.0%	30,197,781	0.5%
Total	**4,726,236,833**	**100.0%**	**(1,477,054,395)**	**100.0%**	**6,203,291,228**	**100.0%**

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 2/28/14)

	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
GICS[1]						
Consumer Discretionary	877,768,652	18.6%	(236,654,247)	16.0%	1,114,422,899	18.0%
Consumer Staples	135,193,836	2.9%	(68,257,500)	4.6%	203,451,337	3.3%
Energy	184,272,057	3.9%	(77,140,459)	5.2%	261,412,516	4.2%
Financials	665,044,649	14.1%	(167,866,583)	11.4%	832,911,232	13.4%
Health Care	207,151,644	4.4%	(16,838,719)	1.1%	223,990,363	3.6%
Industrials	324,486,059	6.9%	(50,277,021)	3.4%	374,763,080	6.0%
Information Technology	424,993,168	9.0%	(46,084,258)	3.1%	471,077,425	7.6%
Materials	76,019,391	1.6%	(18,355,434)	1.2%	94,374,825	1.5%
Telecommunication Services	136,782,790	2.9%	(50,540,359)	3.4%	187,323,149	3.0%
Utilities	-	0.0%	-	0.0%	-	0.0%
Other[2]						
ABS	411,775	0.0%	-	0.0%	411,775	0.0%
Cash Equivalent	1,280,908,868	27.1%	-	0.0%	1,280,908,868	20.6%
CDS Index	-	0.0%	(107,432,414)	7.3%	107,432,414	1.7%
Commodity	-	0.0%	(30,197,781)	2.0%	30,197,781	0.5%
Diversified	21,088,875	0.4%	-	0.0%	21,088,875	0.3%
Equity Index	-	0.0%	(30,639,072)	2.1%	30,639,072	0.5%
ETF	-	0.0%	(23,141,970)	1.6%	23,141,970	0.4%
Government	-	0.0%	(553,628,578)	37.5%	553,628,578	8.9%
Interest Rate Swap	317	0.0%	-	0.0%	317	0.0%
Mortgage Securities	392,114,752	8.3%	-	0.0%	392,114,752	6.3%
Total	**4,726,236,833**	**100.0%**	**(1,477,054,395)**	**100.0%**	**6,203,291,228**	**100.0%**

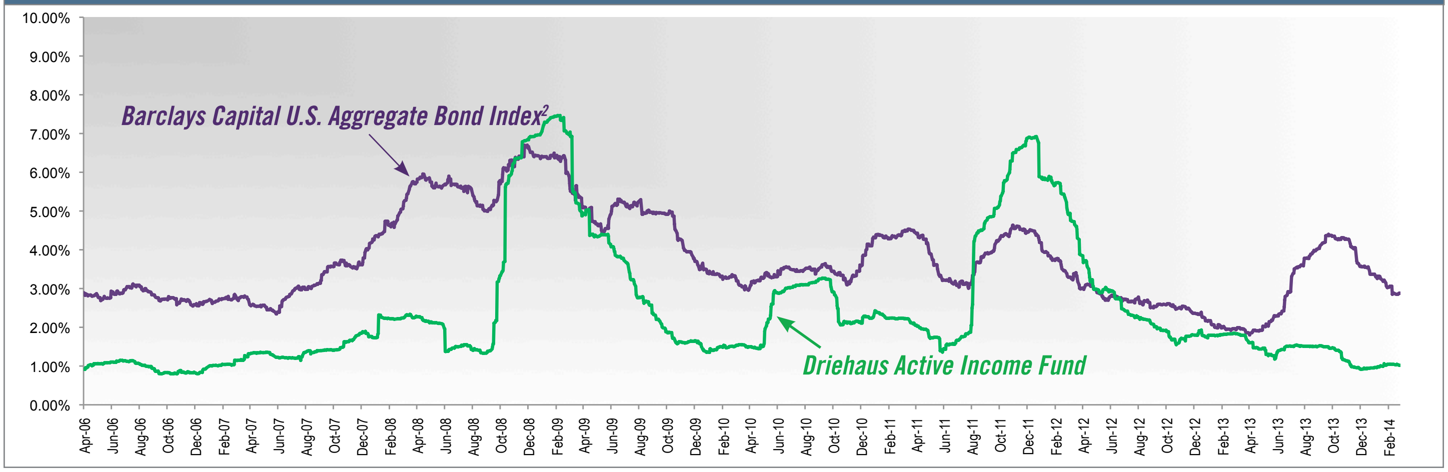
COUNTRY ALLOCATION (as of 2/28/14)

	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Canada	87,204,438	1.8%	-	0.0%	87,204,438	1.4%
Cayman Islands	44,067,384	0.9%	-	0.0%	44,067,384	0.7%
China	2,787,200	0.1%	-	0.0%	2,787,200	0.0%
Europe	-	0.0%	(88,501,436)	6.0%	88,501,436	1.4%
France	20,206,436	0.4%	-	0.0%	20,206,436	0.3%
Germany	70,455,956	1.5%	(30,639,072)	2.1%	101,095,028	1.6%
Ireland	7,992,876	0.2%	-	0.0%	7,992,876	0.1%
Luxembourg	34,250,358	0.7%	-	0.0%	34,250,358	0.6%
Mexico	50,950,813	1.1%	-	0.0%	50,950,813	0.8%
Netherlands	26,452,746	0.6%	-	0.0%	26,452,746	0.4%
Switzerland	20,270,731	0.4%	-	0.0%	20,270,731	0.3%
United Arab Emirates	26,941,589	0.6%	-	0.0%	26,941,589	0.4%
United Kingdom	67,679,365	1.4%	-	0.0%	67,679,365	1.1%
United States	4,266,976,940	90.3%	(1,357,913,887)	91.9%	5,624,890,827	90.7%
Total	**4,726,236,833**	**100.0%**	**(1,477,054,395)**	**100.0%**	**6,203,291,228**	**100.0%**

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

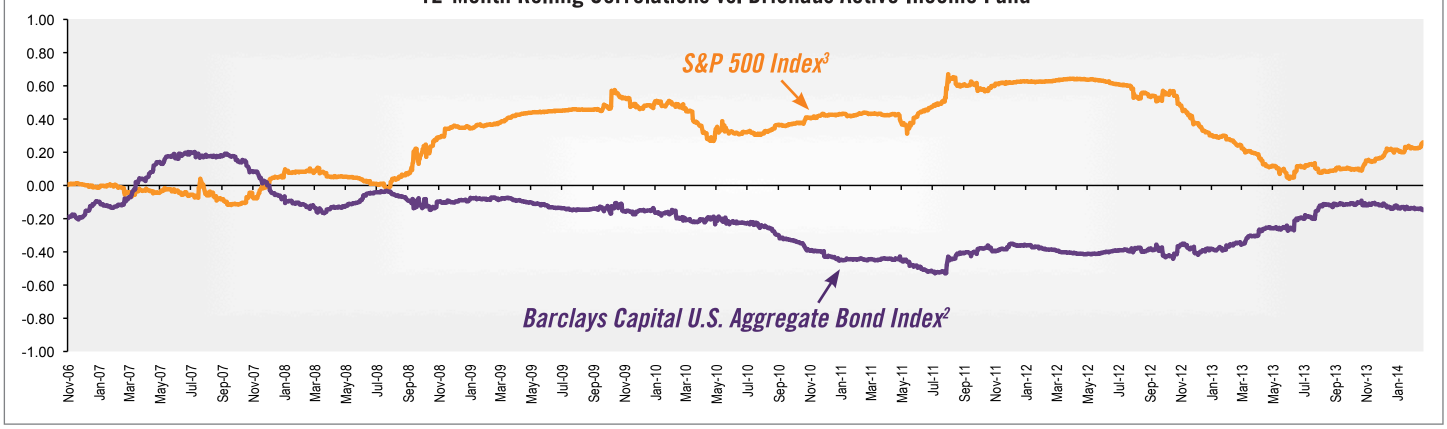
Note: *A definition of key terms can be found on page 15*

100-DAY VOLATILITY (as of 2/28/14)



CORRELATION[1] COMPARISON (as of 2/28/14)

12-Month Rolling Correlations vs. Driehaus Active Income Fund



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 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.

[3] 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.

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 7, 2014 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

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.