The Shootaround

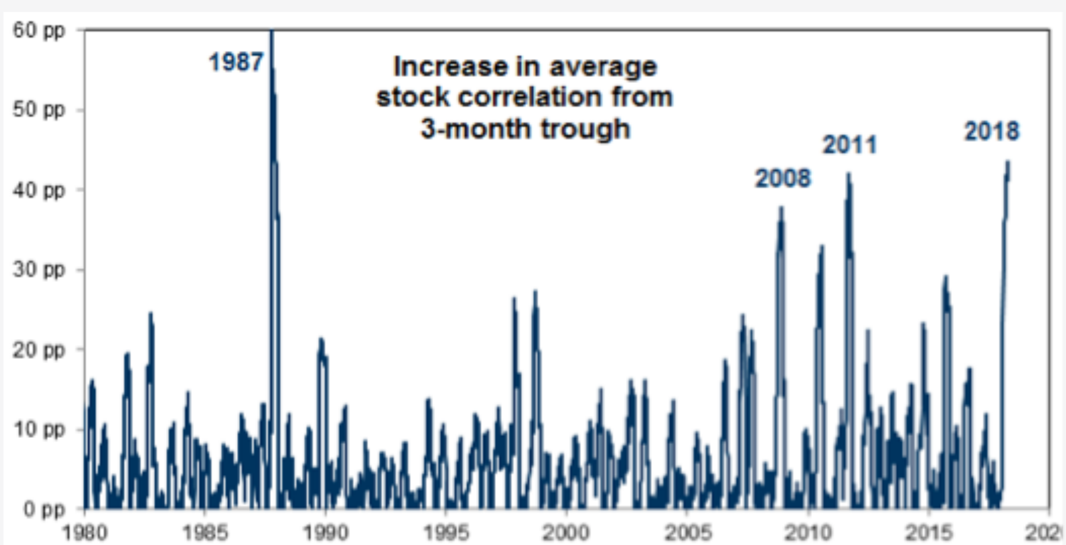
Source: Google

It's hard to believe that the NBA has become a year-round newsworthy sport, but that is certainly the case. Even as the World Cup, the true global game, unfolds, NBA draft and free agency data points are grabbing their fair share of headlines. Call us goofy, but we'll soak up all those stories. We just can't get enough "where's Khawi going?" talk. Often, our team will discuss the latest situations briefly at some point during the week- our version of water cooler talk. In fact, we've dubbed these discussions "The Shootaround", complete with its own accompanying soundtrack courtesy of the Harlem Globetrotters. With the first half of the year in the books, we thought we would check in and provide a quick financial markets shootaround of our own. We'll take the opportunity here to update the past six months for the event space, and preview a handful of considerations ahead, as we embark on the second half of the year.

The first half of 2018 turned out to be a tale of fits and starts. The torrid pace to open the year was quickly wiped out by the volatility complex unwind in early February. Similarly, second quarter was derailed by deal limbo and trade wars, which impacted global economic indicators and caused correlations to rise. (Exhibit 1)

Particularly notable was the impact on traditionally diversified risk arbitrage portfolios. A swath of seemingly different deal spreads began to take on the similar risk exposures and behavior amid all the surrounding noise. Investors witnessed a yo-yoing of their merger arbitrage portfolios depending on the day's tweet or the latest nuanced read of body language for the merger equivalent of the trial of the century. The prolonged choppiness continued through much of the second quarter, and during that timeframe, risk arb portfolios were diversified in name alone.

Exhibit 1:
Increase in average stock correlation from 3-month trough



Source: Goldman Sachs

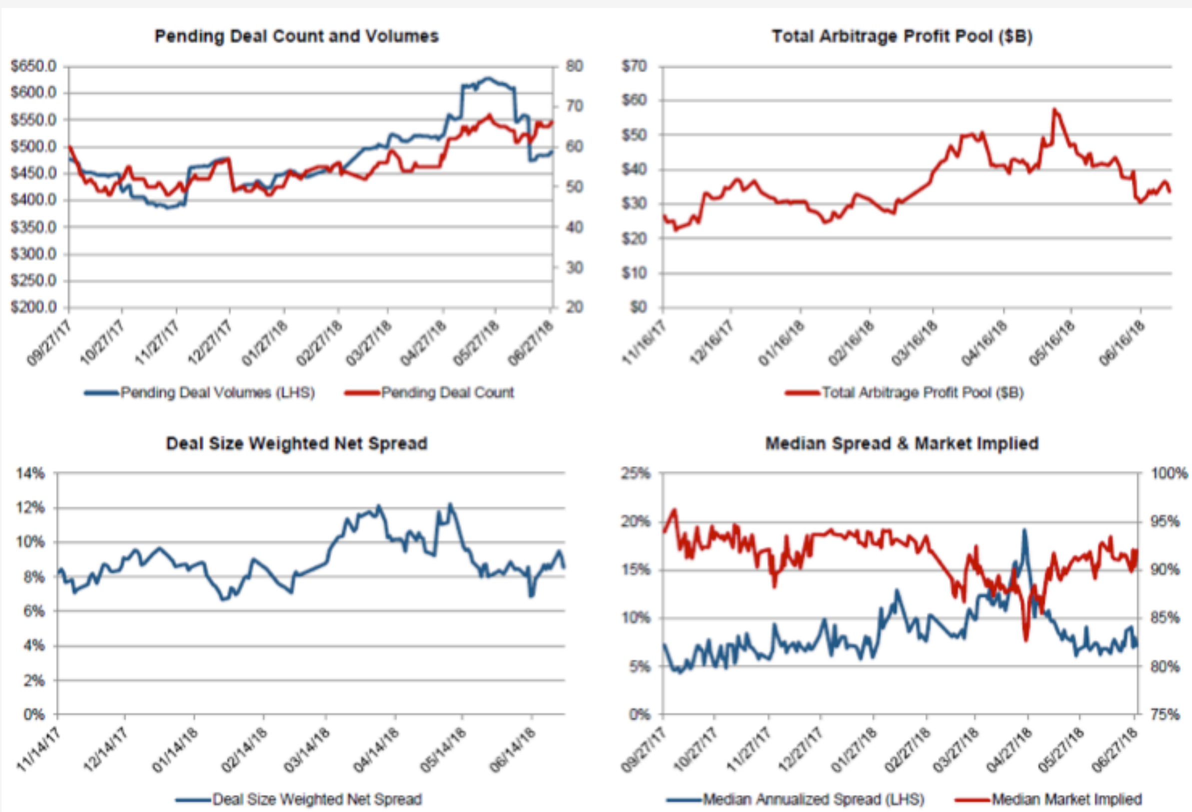
Ultimately, the Department of Justice lost their case at trial, but needless to say the jitters and angst have remained, as political rhetoric has now taken the baton tasked with unnerving investor expectations. In fact, as we sit here compiling our letter, the Department of Justice has decided to appeal the verdict. While we don't anticipate them to be successful in this undertaking either, more litigation means more uncertainty, and will continue to have an imprint on the backdrop for M&A in the second half of the year. (Exhibit 2)

Although deal activity remains robust and the cycle continues exhibiting resiliency, risk arbitrage spreads are now near their tightest levels year-to-date. (Exhibit 3) Given the persistency of heightened geopolitical rhetoric, we continue to be selective in our investments and lean toward unique situations and setups that are able to fly under the radar.

Exhibit 2:
Heightened regulatory and geopolitical uncertainty led to increased choppiness in the event space in the first half of 2018

Source: Bank of America Merrill Lynch

Exhibit 3:
Merger arbitrage spread history



Source: CS Special Situations Desk

Encouragingly, we continue to find unique situations to put capital to work, and have found the increase in market choppiness to be a supportive backdrop for cross asset investments.

Additionally, the fund has found renewed opportunities in thematic investments. (Exhibit 4) These have come out of both organic circumstances and as corollaries to previous themes the fund has identified. With a renewed slate of themes, we anticipate the second half of the year to remain active and fruitful. We hope to update our progress on a few of the new themes in the coming letters, but until then, we'll take a stab at a current one: Kawhi lands with the Lakers, capping off an incredible NBA "offseason".

Exhibit 4:
Past and Current Thematic Opportunities continue to evolve and pop up

Cash harvest → Pro forma stories

Consolidating industry advantages → Spin economics

Financial preferreds → Under-appreciated financial institutions

Target specificity → Gene therapy

Until next quarter,

K.C., Michael, Yoav & Tom

K.C. Nelson
Portfolio Manager

Michael Caldwell
Assistant Portfolio Manager

Yoav Sharon
Assistant Portfolio Manager

Tom McCauley
Assistant Portfolio Manager

DEVDX Performance Review

For the second quarter, the Driehaus Event Driven Fund returned 2.31% and the S&P 500 Index returned 3.43%. The equity catalyst-driven trade type was the biggest contributor (+3.28%) while portfolio hedge was the fund's biggest detractor (-0.86%).[1]

The largest contributors for the quarter included a biotechnology company whose biology is centered on target specificity in oncology, a novel approach that enables the science deployed to increase the probability of success. The company provided a positive update to the market on the efficacy profile of one of their key assets (+255bps). The second largest contributor was a diagnostic company that continues to gain traction with its key test, while also making headway in developing its oncology platform (+160bps). The third largest contributor for the quarter was a European telecom that underwent a corporate action to de-lever the business and streamline its corporate structure (+66 basis points).

The largest detractors for the quarter included a fixed annuity and life insurance company that recently came out of a SPAC structure (-135 basis points), a semiconductor risk arbitrage spread that widened on regulatory headlines and increased deal break possibility (-81bps), and a portfolio hedge tasked with protecting healthcare and biotech exposure (-76bps).

PERFORMANCE

MONTH-END – 6/30/18

	MTH	YTD	1 Year	3 Year	Since Inception[2]
Driehaus Event Driven Fund	-0.63%	2.69%	2.40%	2.71%	3.18%
S&P 500 Index[3]	0.62%	2.65%	14.37%	11.93%	12.98%
FTSE 3-Month T-Bill Index[4]	0.15%	0.79%	1.33%	0.64%	0.41%

CALENDAR QUARTER-END – 6/30/18

	QTR	YTD	1 Year	3 Year	Since Inception[2]
Driehaus Event Driven Fund	2.31%	2.69%	2.40%	2.71%	3.18%
S&P 500 Index[3]	3.43%	2.65%	14.37%	11.93%	12.98%
FTSE 3-Month T-Bill Index[4]	0.44%	0.79%	1.33%	0.64%	0.41%

ANNUAL FUND OPERATING EXPENSES[5]

Management Fee 1.00%

Other Expenses Excluding Dividends & Interest on Short Sales 0.46%

Dividends and Interest on Short Sales 0.31%

Total Annual Fund Operating Expenses 1.77%

[1]**Performance Disclosure**

The performance data shown represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Principal value and investment returns will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Performance data represents the rate that an investor would have earned (or lost), during the given month, on an investment in the Fund (assuming reinvestment of all dividends and distributions). Average annual total return reflects annualized change. **Since Fund performance is subject to change after the month-end, please call (877) 779-0079 or visit www.driehaus.com for more current performance information.**

[2]The Driehaus Event Driven Fund has an inception date of August 26, 2013. [3]The Standard & Poor's ("S&P") 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group. It is a market-weighted index (stock price times number of shares outstanding), with each stock's weight in the index proportionate to its market value. [4]The FTSE 3-Month T-Bill Index is designed to mirror the performance of the 3-Month U.S. Treasury Bill. The FTSE 3-Month T-Bill Index is unmanaged and its returns include reinvested dividends. [5]Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated April 30, 2018. It is important to understand that a decline in the Fund's average net assets due to unprecedented market volatility or other factors could cause the Fund's expense ratio for the current fiscal year to be higher than the expense information presented.

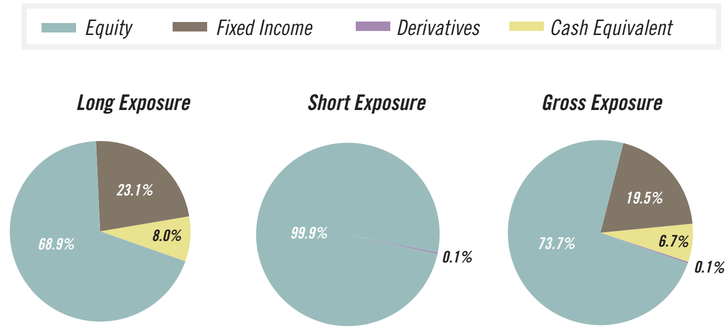
Investments in overseas markets can pose more risks than U.S. investments, and share prices are expected to be more volatile than that of a U.S.-only fund. The Driehaus Event Driven Fund invests in foreign securities, including small and mid cap stocks, which may be subject to greater volatility than other investments. In addition, returns of this Fund will fluctuate with changes in stock market conditions, currency values, interest rates, foreign government regulations, and economic and political conditions in countries in which this Fund invests. These risks are generally greater when investing in emerging markets. These and other risk considerations are discussed in the prospectus for this Fund. At times, a significant portion of the Fund's return may be attributable to investments in initial public offerings (IPOs) or concentrations in certain strong performing sectors, such as technology. Returns from IPOs or sector concentrations may not be repeated or consistently achieved in the future. In addition, participating in IPOs and other investments during favorable market conditions may enhance the performance of a Fund with a smaller asset base, and this Fund may not experience similar performance results as its assets grow. Stocks of medium-sized companies tend to be more volatile in price than those of larger companies and may have underperformed the stocks of small and large companies during some periods. In addition, investments in medium-sized companies may be more susceptible to particular economic events or competitive factors than are larger, more broadly diversified companies. Growth stocks may involve special risks and their prices may be more volatile than the overall market. The Fund, in addition to investing in unrated and investment grade bonds, may also invest in junk bonds, which involve greater credit risk, including the risk of default. The prices of high yield bonds are more sensitive to changing economic conditions and can fall dramatically in response to negative news about the issuer or its industry, or the economy in general. The use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is a risk that changes in the value of a derivative held by the Fund will not correlate with the Fund's other investments. Further, the Fund may invest in derivatives for speculative purposes. Gains or losses from speculative positions in a derivative may be much greater than the derivative's original cost and potential losses may be substantial. The Fund may make short sales. Short sales expose the Fund to the risk of loss. No investment strategy, including an absolute return strategy, can ensure a profit or protect against loss. Additionally, investing in an absolute return strategy may lead to underperforming results during an upward moving market. When interest rates increase, bond prices decrease and bond funds become more volatile. It is anticipated that the Fund will experience high rates of portfolio turnover, which may result in payment by the Fund of above-average transaction costs. This is a nondiversified fund compared to other funds, the Fund may invest a greater percentage of assets in a particular issuer or a small number of issuers. As a consequence, the Fund may be subject to greater risks and larger losses than diversified funds.

DEVDX Portfolio Characteristics*

Executive Summary

		excluding cash
Assets Under Management (AUM)	$103,851,383	
Long Exposure	$105,076,274	$96,704,288
Short Exposure	$(19,165,586)	$(19,165,586)
Net Exposure	$85,910,688	$77,538,702
Net Exposure/AUM	82.72%	74.66%
Gross Exposure	$124,241,860	$115,869,874
Gross Exposure/AUM	1.20 x	1.12x

Exposure Breakdown by Asset Class



Trade Type

	Gross Exposure	% of Gross Exposure	% Contribution to Total Return
Bond catalyst-driven	23,177,382	18.7%	0.17%
Equity catalyst-driven	69,300,466	55.8%	-0.50%
Portfolio hedges	19,151,222	15.4%	-0.04%
Risk arbitrage	4,240,804	3.4%	-0.08%
Deep value	0	0.0%	0.00%
Cash**	8,371,986	6.7%	0.00%
Expenses***			-0.12%
Total	**124,241,860**	**100.0%**	**-0.59%**

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

Portfolio Summary

Portfolio Volatility (100 day, based on historical daily returns)	10.29%
S&P 500 Index Volatility (100 day, based on historical daily returns)	16.04%
Beta vs. S&P 500 Index[1] (since inception)	0.45
Beta vs. Bloomberg Barclays Agg[2] (since inception)	(0.54)
Beta vs. Merrill Lynch High Yield Index[3] (since inception)	0.84
DEVDX and S&P 500 Index Correlation (since inception)	0.69
DEVDX and Bloomberg Barclays Agg Correlation (since inception)	(0.21)
DEVDX and Merrill Lynch High Yield Index Correlation (since inception)	0.39

Characteristics

FIXED INCOME	
Effective Duration/100 bps	0.21 Years
Effective Spread Duration/100 bps	0.29 Years
Long Exposure Mark-to-market Value/Par Value (ex IR hedge)	97.57%
Short Exposure Mark-to-market Value/Par Value (ex IR hedge)	n/a
EQUITY	
Weighted Average Market Capitalization (USD in billion)	$7.2
Weighted Harmonic Average P/E using FY1 Estimation	$14.8

Source: Bloomberg
*Exposure: please note exposure may be different than market value. For equities, bonds, foreign exchange forwards and interest rate swap products, exposure is the same as market value.
**This figure represents the fund's operating cash plus receivables for investments sold and minus payables for investments purchased, and includes USD and FX cash.
***Estimated expenses for the month (not annualized) as a percentage of the fund's net assets for the month.
For options, exposure represents delta-adjusted underlying exposure. For credit default swap and credit default swap indices, exposure represents bond-equivalent exposure.
[1] The Standard & Poor's ("S&P") 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group. It is a market-weighted index (stock price times number of shares outstanding), with each stock's weight in the index proportionate to its market value. [2] The Bloomberg Barclays Capital US Aggregate Bond Index, an unmanaged index, represents securities that are SEC-registered, taxable and dollar denominated. This index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. [3] The BofA Merrill Lynch US High Yield Index is an unmanaged index that tracks the performance of below-investment-grade, US-dollar-denominated corporate bonds publicly issued in the US domestic market.
Note: *A definition of key terms can be found on page 9*

Product Type

	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Bank Loan	6,760,859	6.4%	0	0.0%	6,760,859	5.4%
Convertible Bond	305,766	0.3%	0	0.0%	305,766	0.2%
Convertible Preferred	0	0.0%	0	0.0%	0	0.0%
Corporate	15,021,698	14.3%	0	0.0%	15,021,698	12.1%
Preferred	2,162,688	2.1%	0	0.0%	2,162,688	1.7%
Sovereign	0	0.0%	0	0.0%	0	0.0%
Fixed Income	**24,251,011**	**23.1%**	**0**	**0.0%**	**24,251,011**	**19.5%**
ADR/GDR	0	0.0%	0	0.0%	0	0.0%
Equity Common	72,404,447	68.9%	0	0.0%	72,404,447	58.3%
Exchange Traded Fund	0	0.0%	(19,151,222)	99.9%	19,151,222	15.4%
Equity	**72,404,447**	**68.9%**	**(19,151,222)**	**99.9%**	**91,555,669**	**73.7%**
Credit Default Swap	0	0.0%	0	0.0%	0	0.0%
Currency Forward	48,830	0.0%	(14,364)	0.1%	63,194	0.1%
Index Future	0	0.0%	0	0.0%	0	0.0%
Index Options	0	0.0%	0	0.0%	0	0.0%
Interest Rate Future	0	0.0%	0	0.0%	0	0.0%
Residential Mortgage Backed	0	0.0%	0	0.0%	0	0.0%
Securitized / Covered	0	0.0%	0	0.0%	0	0.0%
Swaptions	0	0.0%	0	0.0%	0	0.0%
Total Return Swap	0	0.0%	0	0.0%	0	0.0%
Derivatives	**48,830**	**0.0%**	**(14,364)**	**0.1%**	**63,194**	**0.1%**
Cash	**8,371,986**	**8.0%**	**0**	**0.0%**	**8,371,986**	**6.7%**
Total	**105,076,274**	**100.0%**	**(19,165,586)**	**100.0%**	**124,241,860**	**100.0%**

Exposure by Country of Risk

Country Of Risk	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Developed	8,398,106	8.0%	(14,364)	0.1%	8,412,470	6.8%
United States	86,706,096	82.5%	(19,151,222)	99.9%	105,857,319	85.2%
Emerging	9,972,072	9.5%	0	0.0%	9,972,072	8.0%
Total	**105,076,274**	**100.0%**	**(19,165,586)**	**100.0%**	**124,241,860**	**100.0%**

Source: Bloomberg

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

Sector

GICS[1]	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Consumer Discretionary	6,866,503	6.5%	0	0.0%	6,866,503	5.5%
Consumer Staples	0	0.0%	0	0.0%	0	0.0%
Energy	0	0.0%	0	0.0%	0	0.0%
Financials	17,498,692	16.7%	0	0.0%	17,498,692	14.1%
Health Care	27,816,512	26.5%	0	0.0%	27,816,512	22.4%
Industrials	23,940,310	22.8%	0	0.0%	23,940,310	19.3%
Information Technology	7,840,849	7.5%	0	0.0%	7,840,849	6.3%
Materials	3,436,110	3.3%	0	0.0%	3,436,110	2.8%
Real Estate	0	0.0%	0	0.0%	0	0.0%
Telecommunication Services	5,148,866	4.9%	0	0.0%	5,148,866	4.1%
Utilities	0	0.0%	0	0.0%	0	0.0%
Other[2]	12,528,432	11.9%	(19,165,586)	100.0%	31,694,018	25.5%
Total	**105,076,274**	**100.0%**	**(19,165,586)**	**100.0%**	**124,241,860**	**100.0%**

Contributors (by Trade Type)

TOP 5	
Equity Catalyst Driven	1.2%
Equity Catalyst Driven	0.2%
Equity Catalyst Driven	0.2%
Equity Catalyst Driven	0.2%
Equity Catalyst Driven	0.2%
Total	**2.0%**

BOTTOM 5	
Equity Catalyst Driven	-1.1%
Equity Catalyst Driven	-0.5%
Equity Catalyst Driven	-0.3%
Equity Catalyst Driven	-0.2%
Equity Catalyst Driven	-0.2%
Total	**-2.3%**

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

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

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

Quarterly and Year-to-date Event Type

% Contrib. to Total Return

	Apr	May	Jun	2nd QTR
Bond catalyst-driven	0.35%	0.28%	0.17%	0.80%
Equity catalyst-driven	-1.56%	5.49%	-0.50%	3.32%
Portfolio hedges	0.22%	-1.03%	-0.04%	-0.86%
Risk arbitrage	-0.31%	-0.05%	-0.08%	-0.43%
Deep value	0.00%	0.00%	0.00%	0.00%
Cash*	0.00%	0.00%	0.00%	0.00%
Expenses**	-0.14%	-0.16%	-0.12%	-0.43%
Total	**-1.44%**	**4.53%**	**-0.59%**	**2.42%**

**This figure represents the fund's operating cash plus receivables for investments sold and minus payables for investments purchased, and includes USD and FX cash.*
***Estimated expenses for the month (not annualized) as a percentage of the fund's net assets for the month.*

Notes

Investments in overseas markets can pose more risks than U.S. investments, and share prices are expected to be more volatile than that of a U.S.-only fund. The Driehaus Event Driven Fund invests in foreign securities, including small and mid cap stocks, which may be subject to greater volatility than other investments. In addition, returns of this Fund will fluctuate with changes in stock market conditions, currency values, interest rates, foreign government regulations, and economic and political conditions in countries in which this Fund invests. These risks are generally greater when investing in emerging markets. These and other risk considerations are discussed in the prospectus for this Fund. At times, a significant portion of the Fund's return may be attributable to investments in initial public offerings (IPOs) or concentrations in certain strong performing sectors, such as technology. Returns from IPOs or sector concentrations may not be repeated or consistently achieved in the future. In addition, participating in IPOs and other investments during favorable market conditions may enhance the performance of a Fund with a smaller asset base, and this Fund may not experience similar performance results as its assets grow. Stocks of medium-sized companies tend to be more volatile in price than those of larger companies and may have underperformed the stocks of small and large companies during some periods. In addition, investments in medium-sized companies may be more susceptible to particular economic events or competitive factors than are larger, more broadly diversified companies. Growth stocks may involve special risks and their prices may be more volatile than the overall market. The Fund, in addition to investing in unrated and investment grade bonds, may also invest in junk bonds, which involve greater credit risk, including the risk of default. The prices of high yield bonds are more sensitive to changing economic conditions and can fall dramatically in response to negative news about the issuer or its industry, or the economy in general. The use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is a risk that changes in the value of a derivative held by the Fund will not correlate with the Fund's other investments. Further, the Fund may invest in derivatives for speculative purposes. Gains or losses from speculative positions in a derivative may be much greater than the derivative's original cost and potential losses may be substantial. The Fund may make short sales. Short sales expose the Fund to the risk of loss. No investment strategy, including an absolute return strategy, can ensure a profit or protect against loss. Additionally, investing in an absolute return strategy may lead to underperforming results during an upward moving market. When interest rates increase, bond prices decrease and bond funds become more volatile. It is anticipated that the Fund will experience high rates of portfolio turnover, which may result in payment by the Fund of above-average transaction costs. This is a nondiversified fund compared to other funds, the Fund may invest a greater percentage of assets in a particular issuer or a small number of issuers. As a consequence, the Fund may be subject to greater risks and larger losses than diversified funds.

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

This snapshot is not intended to provide investment advice. Nothing herein should be construed as a solicitation or a recommendation to buy or sell securities or other investments. You should assess your own investment needs based on your individual financial circumstances and investment objectives. Driehaus does not guarantee the accuracy or completeness of this information. This data was prepared on July 17, 2018 and has not been updated since then. It may not reflect recent market activity. Driehaus assumes no obligation to update or supplement this information to reflect subsequent changes. This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The information and opinions contained in this material are derived from proprietary and non-proprietary sources deemed by Driehaus to be reliable, are not necessarily all inclusive and are not guaranteed as to accuracy. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader.

Driehaus Securities LLC, Distributor

FUND INFORMATION

Types of events in which the fund frequently invests include:

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

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

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

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

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

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

Types of trades in which the fund frequently invests include:

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

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

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

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

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

DEFINITIONS OF KEY TERMS

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

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

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

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

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

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

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

Derivatives Premium – Value of a derivatives contract.

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

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

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

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

Portfolio Coupon - The annualized interest earned for the portfolio.

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

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

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

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

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

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