

# Driehaus Active Income Fund

FEBRUARY 2020

## Performance Review

During the month of February, the fund returned -0.7% bringing the year-to-date return to 0.1%<sup>1</sup>. February's performance was driven by positive performance from the capital structure arbitrage and directional short strategies, which was more than offset by losses from the directional long strategy and portfolio hedges.

As we have discussed in previous letters, we position the fund to realize yield and hedge against duration risk, market volatility and the risk of capital impairment. The fund's year-to-date performance reflects these portfolio actions: the fund has delivered positive performance through February, while volatility and correlation remain muted relative to all relevant credit indexes.

The environment for our strategy remains attractive, and we remain focused on protecting capital as market volatility has increased. We believe this low-volatility, strong absolute return profile is an illustration of the efficacy of our team's fundamental credit research process.

We continue to maintain modest net exposure and a strong portfolio current yield (6.4% at month end). We are finding compelling opportunities in capital

structure arbitrage and short duration corporate bonds. We believe there is too much risk and too little reward in the leveraged loan market and are approaching the asset class with heightened caution.

During February, the capital structure arbitrage strategy contributed 9 basis points and the directional short strategy contributed 1 basis point. The directional long strategy detracted 49 basis points and fund's portfolio hedges detracted 21 basis points. At month-end, the fund's effective duration was +0.8. There were no other meaningful contributions or detractions during the quarter.

We continue to position the portfolio conservatively but have done so in a way that allows the fund to generate an attractive portfolio yield. We believe these portfolio attributes, combined with the continued attractiveness of the opportunity set in corporate credit, position the fund to successfully navigate the range of market scenarios that might unfold over the course of this year.

As always, we welcome the opportunity to discuss market developments and their impact on the fund with our client base, so please do not hesitate to reach out to us if you would like any additional details.

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### <sup>1</sup>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 [driehaus.com](http://driehaus.com) for more current performance information.**

# Driehaus Active Income Fund

## % Month-End Performance (as of 2/29/20)

	Annualized						
	MTH	YTD	1 Year	3 Year	5 Year	10 Year	Inception <sup>1,4</sup>
Driehaus Active Income Fund <sup>1</sup>	-0.74	0.11	3.77	1.83	1.67	1.93	3.30
FTSE 3-Month T-Bill Index <sup>2</sup>	0.13	0.26	2.12	1.71	1.10	0.58	1.24
Bloomberg Barclays US Aggregate Bond Index <sup>3</sup>	1.80	3.76	11.68	5.01	3.58	3.93	4.58

## % Quarter-End Performance (as of 12/31/19)

	Annualized						
	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Inception <sup>1,4</sup>
Driehaus Active Income Fund <sup>1</sup>	1.29	5.89	5.89	1.69	1.91	1.99	3.33
FTSE 3-Month T-Bill Index <sup>2</sup>	0.46	2.25	2.25	1.65	1.05	0.56	1.24
Bloomberg Barclays US Aggregate Bond Index <sup>3</sup>	0.18	8.72	8.72	4.03	3.05	3.75	4.36

## % Calendar Year Performance<sup>1</sup> (10-year period)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Driehaus Active Income Fund <sup>1</sup>	5.18	-5.61	9.34	2.99	-0.87	-1.07	5.63	0.59	-1.26	5.89
FTSE 3-Month T-Bill Index <sup>2</sup>	0.13	0.08	0.07	0.05	0.03	0.03	0.27	0.84	1.86	2.25
Bloomberg Barclays US Aggregate Bond Index <sup>3</sup>	6.55	7.85	4.22	-2.02	5.97	0.55	2.65	3.54	0.01	8.72

Source: Driehaus Capital Management, FactSet, UMB Fund Services  
Data as of 2/29/20.

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<sup>1</sup>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. <sup>2</sup>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. <sup>3</sup>The Bloomberg Barclays US 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. An investor cannot invest directly in an index. <sup>4</sup>Since Inception of the Driehaus Active Income Fund (11/8/05). FTSE 3-Month T-Bill Index Performance for 2005 is from 11/1/05 - 12/31/05. <sup>5</sup>Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated April 30, 2019. 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. <sup>6</sup>Spread duration excludes treasury rate hedges. <sup>7</sup>Refers to credit only.

**TERMS:** **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. **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. **SEC yield** is an annualization of the Fund's total net investment income per share for the 30-day period ended on the last day of the month. **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. **Average % of Par - Long Credit** - The average dollar price of a bond the Fund is long as a percentage of par. **Average % of Par - Short Credit** - The average dollar price of a bond the Fund is short as a percentage of par. **Beta** is a measure of a portfolio's volatility. A beta of 1.00 implies perfect historical correlation of movement with the market. A higher beta manager will rise and fall more rapidly than the market, whereas a lower beta manager will rise and fall slower.

Ticker

**LCMAX**

## Facts

Inception Date	11/8/05 <sup>1</sup>
Fund Assets Under Management	\$183M
Firm Assets Under Management	\$8.4B
Portfolio Concentration	Flexible, best ideas approach, historically 60-80 trades
Distributions	Quarterly dividends; annual capital gains

## Annual Operating Expenses<sup>5</sup>

Gross Expenses	1.10%
Net Expenses	1.10%

## Executive Summary

Long Exposure	\$166,790,271
Short Exposure	\$(22,800,100)
Net Exposure	\$143,990,171
Net Exposure % of AUM	78.84%
Gross Exposure	\$189,590,371
Gross Exposure % of AUM	103.81%

## Risk Summary

Effective Duration	0.80 Years
Spread Duration <sup>6</sup>	3.39 Years
30-day SEC Yield	4.36%
Portfolio Yield-To-Worst <sup>7</sup>	6.65%
Average % of Par - Long Credit	101.20%
Average % of Par - Short Credit	103.32%
Correlation vs. S&P 500	0.42
100 Day Volatility	1.86%

## Portfolio Management

**Thomas McCauley, CFA**, Portfolio Manager  
15 years of industry experience

**Yoav Sharon**, Portfolio Manager  
16 years industry experience

**John Khym, CFA**, Assistant Portfolio Manager  
18 years industry experience

Driehaus Active Income Fund

Trade Type

	Gross Exposure	% of Gross Exposure	% Contribution to Total Return
Capital Structure Arbitrage <sup>1</sup>	37,370,746	19.7%	0.09%
Convertible Arbitrage <sup>1</sup>	0	0.0%	0.00%
Directional Long <sup>1</sup>	133,741,500	70.5%	-0.49%
Directional Short <sup>1</sup>	990,625	0.5%	0.01%
Event Driven <sup>1</sup>	0	0.0%	0.00%
Interest Rate Hedge <sup>1</sup>	17,487,500	9.2%	-0.21%
Pairs Trading <sup>1</sup>	0	0.0%	0.00%
Volatility <sup>1</sup>	0	0.0%	0.00%
Cash and Expenses <sup>2</sup>			-0.07%
<b>Total</b>	<b>189,590,371</b>	<b>100.0%</b>	<b>-0.67%</b>

Credit Rating\*

	Long Exposure (\$)	% of Long Exposure	Short Exposure (\$)	% of Short Exposure	Gross Exposure (\$)	% of Gross Exposure
AAA <sup>3</sup>	0	0.0%	0	0.0%	0	0.0%
AA	0	0.0%	0	0.0%	0	0.0%
A <sup>4</sup>	4,778,456	2.9%	0	0.0%	4,778,456	2.8%
BBB	3,924,834	2.4%	0	0.0%	3,924,834	2.3%
BB	24,082,499	14.6%	0	0.0%	24,082,499	14.3%
B	103,512,602	62.9%	0	0.0%	103,512,602	61.4%
CCC	28,275,979	17.2%	(4,070,746)	100.0%	32,346,725	19.2%
CC	0	0.0%	0	0.0%	0	0.0%
C	0	0.0%	0	0.0%	0	0.0%
D	0	0.0%	0	0.0%	0	0.0%
Not Rated	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>164,574,370</b>	<b>100.0%</b>	<b>(4,070,746)</b>	<b>100.0%</b>	<b>168,645,116</b>	<b>100.0%</b>

Source: Driehaus Capital Management, FactSet

**Note:** 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.

<sup>1</sup> A definition of this term can be found on the last page of this document. <sup>2</sup>Estimated expenses for the month (not annualized) as a percentage of the fund's net assets for the month. Interest on cash balances are netted against fund expenses. <sup>3</sup>All government bonds are rated AAA.

<sup>4</sup>All agency Mortgage Backed Securities (MBS) are rated A.

\*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. Credit rating data is shown only for the following asset classes: Bank Loan, Corporate CDS, Corporate Credit, Convertible Bonds and Preferred Stocks.

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

A definition of key terms can be found on the last page of this document.

## Driehaus Active Income Fund

### Sector

	Long Exposure (\$)	% of Long Exposure	Short Exposure (\$)	% of Short Exposure	Gross Exposure (\$)	% of Gross Exposure
<b>GICS<sup>1</sup></b>						
Communication Services	26,841,814	16.1%	0	0.0%	26,841,814	14.2%
Consumer Discretionary	15,411,752	9.2%	(361,599)	1.6%	15,773,351	8.3%
Consumer Staples	16,764,451	10.1%	(525,330)	2.3%	17,289,781	9.1%
Energy	15,321,425	9.2%	0	0.0%	15,321,425	8.1%
Financials	33,003,711	19.8%	(183,300)	0.8%	33,187,011	17.5%
Health Care	4,505,267	2.7%	(2,564,033)	11.2%	7,069,300	3.7%
Industrials	19,046,032	11.4%	0	0.0%	19,046,032	10.0%
Information Technology	22,215,056	13.3%	(1,678,338)	7.4%	23,893,393	12.6%
Materials	13,680,764	8.2%	0	0.0%	13,680,764	7.2%
Real Estate	0	0.0%	0	0.0%	0	0.0%
Utilities	0	0.0%	0	0.0%	0	0.0%
Other <sup>2</sup>	0	0.0%	(17,487,500)	76.7%	17,487,500	9.2%
<b>Total</b>	<b>166,790,271</b>	<b>100.0%</b>	<b>(22,800,100)</b>	<b>100.0%</b>	<b>189,590,371</b>	<b>100.0%</b>

### Product Type

	Long Exposure (\$)	% of Long Exposure	Short Exposure (\$)	% of Short Exposure	Gross Exposure (\$)	% of Gross Exposure
Bank Loan	36,986,322	22.2%	0	0.0%	36,986,322	19.5%
Corporate	122,644,464	73.5%	(4,070,746)	18.1%	126,715,211	67.0%
Preferred	4,943,583	3.0%	0	0.0%	4,943,583	2.6%
<b>Fixed Income</b>	<b>164,574,370</b>	<b>98.7%</b>	<b>(4,070,746)</b>	<b>18.1%</b>	<b>168,645,116</b>	<b>89.1%</b>
Equity Common	2,215,902	1.3%	(880,255)	3.9%	3,096,157	1.6%
Exchange Traded Fund	0	0.0%	0	0.0%	0	0.0%
<b>Equity</b>	<b>2,215,902</b>	<b>1.3%</b>	<b>(880,255)</b>	<b>3.9%</b>	<b>3,096,157</b>	<b>1.6%</b>
Government Bond Future	0	0.0%	(17,487,500)	77.9%	17,487,500	9.2%
<b>Derivatives</b>	<b>0</b>	<b>0.0%</b>	<b>(17,487,500)</b>	<b>77.9%</b>	<b>17,487,500</b>	<b>9.2%</b>
Cash & Other	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>166,790,271</b>	<b>100.0%</b>	<b>(22,438,501)</b>	<b>100.0%</b>	<b>189,228,773</b>	<b>100.0%</b>

Source: Driehaus Capital Management, FactSet, Global Industry Classification Standard

<sup>1</sup>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.

<sup>2</sup>The Other Industry Sector data is not categorized within the GICS classification system.

A definition of key terms can be found on the last page of this document.

## Driehaus Active Income Fund

### Region\*

	Long Exposure (\$)	% of Long Exposure	Short Exposure (\$)	% of Short Exposure	Gross Exposure (\$)	% of Gross Exposure
Developed	16,827,148	10.1%	(194,160)	0.9%	17,021,308	9.0%
Emerging	0	0.0%	0	0.0%	0	0.0%
United States	149,963,124	89.9%	(22,605,940)	99.1%	172,569,064	91.0%
<b>Total</b>	<b>166,790,271</b>	<b>100.0%</b>	<b>(22,800,100)</b>	<b>100.0%</b>	<b>189,590,371</b>	<b>100.0%</b>

### Spread Distribution\*\* (\$M)

		0-300	300-600	600-1000	>1000	Total
Bank Loan	Long Exposure	0	4,681,072	26,832,985	5,472,265	36,986,322
	Short Exposure	0	0	0	0	0
	Net Exposure	0	4,681,072	26,832,985	5,472,265	36,986,322
	Gross Exposure	0	4,681,072	26,832,985	5,472,265	36,986,322
Corporate	Long Exposure	4,778,456	82,105,827	35,760,182	0	122,644,464
	Short Exposure	0	0	(4,070,746)	0	(4,070,746)
	Net Exposure	4,778,456	82,105,827	31,689,436	0	118,573,718
	Gross Exposure	4,778,456	82,105,827	39,830,928	0	126,715,211
Preferred	Long Exposure	0	4,943,583	0	0	4,943,583
	Short Exposure	0	0	0	0	0
	Net Exposure	0	4,943,583	0	0	4,943,583
	Gross Exposure	0	4,943,583	0	0	4,943,583
Total	Long Exposure	4,778,456	91,730,482	62,593,166	5,472,265	164,574,370
	Short Exposure	0	0	(4,070,746)	0	(4,070,746)
	Net Exposure	4,778,456	91,730,482	58,522,420	5,472,265	160,503,623
	Gross Exposure	4,778,456	91,730,482	66,663,912	5,472,265	168,645,116
	Net Exposure %	3.0%	57.2%	36.5%	3.4%	100.0%
	Gross Exposure %	2.8%	54.4%	39.5%	3.2%	100.0%

Source: Driehaus Capital Management, FactSet

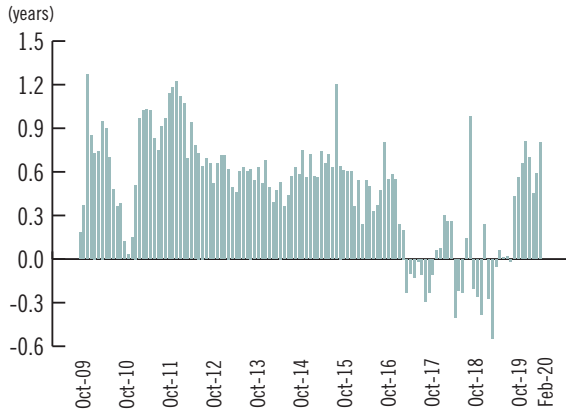
\*Region exposure is based on country of domicile.

\*\*Spread Distributions are shown only for the following asset classes: Bank Loan, Corporate CDS, Corporate Credit, Convertible Bonds and Preferred Stocks. 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.

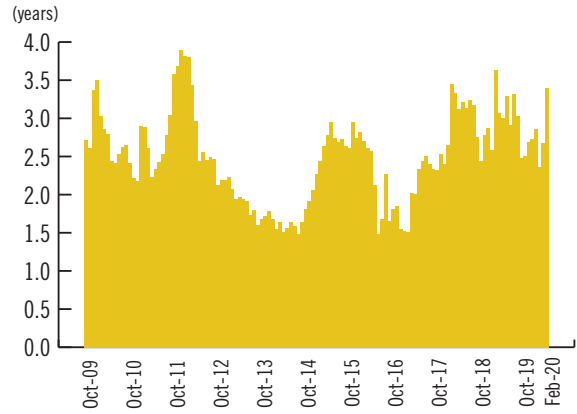
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Driehaus Active Income Fund

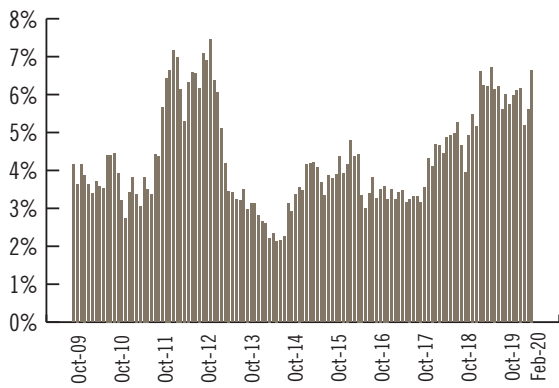
LCMAX Effective Duration



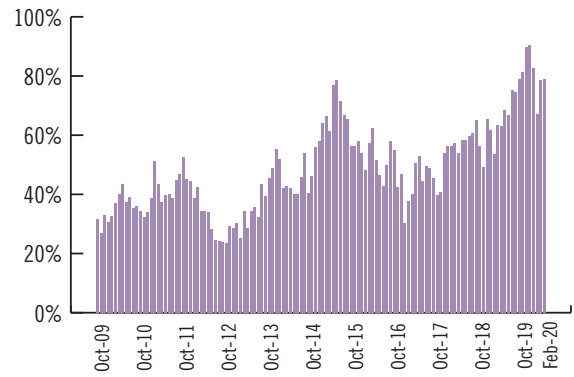
LCMAX Spread Duration



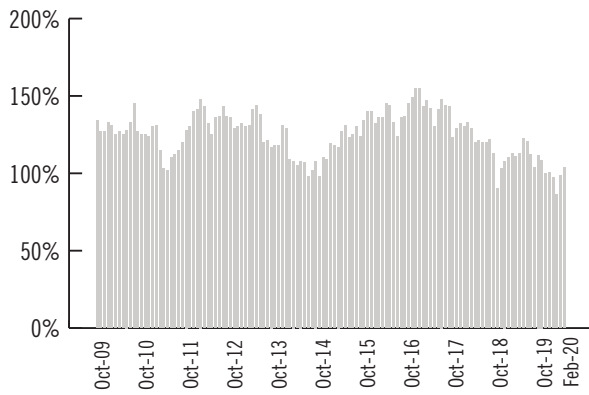
LCMAX Portfolio Yield-to-Worst



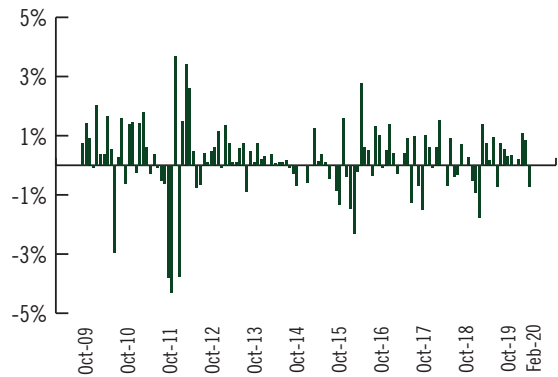
LCMAX Net Exposure % of AUM



LCMAX Gross Exposure % of AUM



LCMAX Monthly Return\*



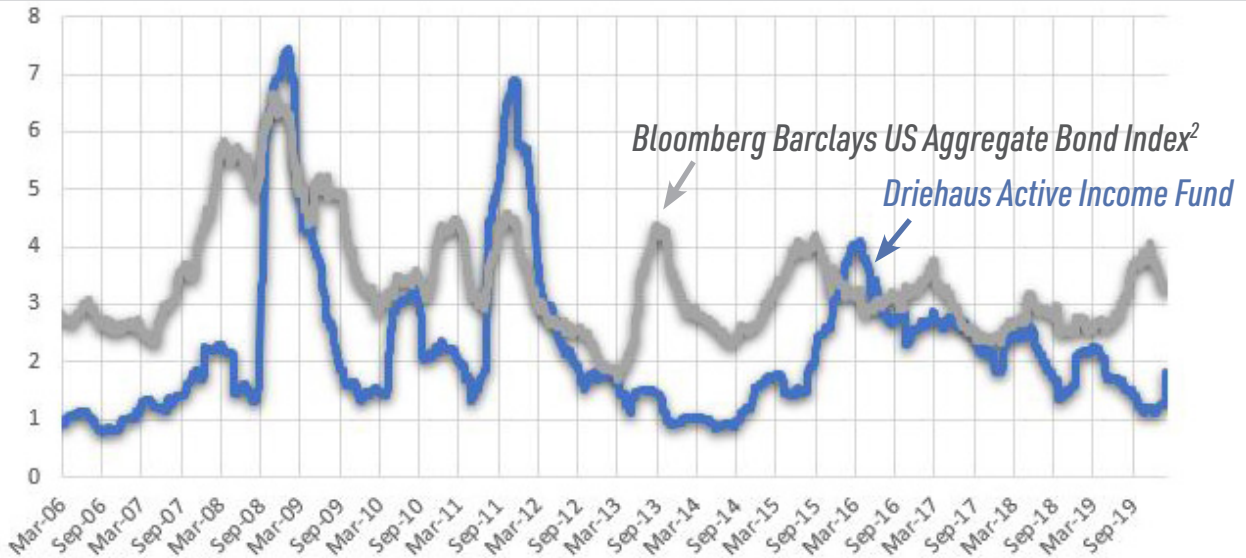
Source: Driehaus Capital Management, FactSet

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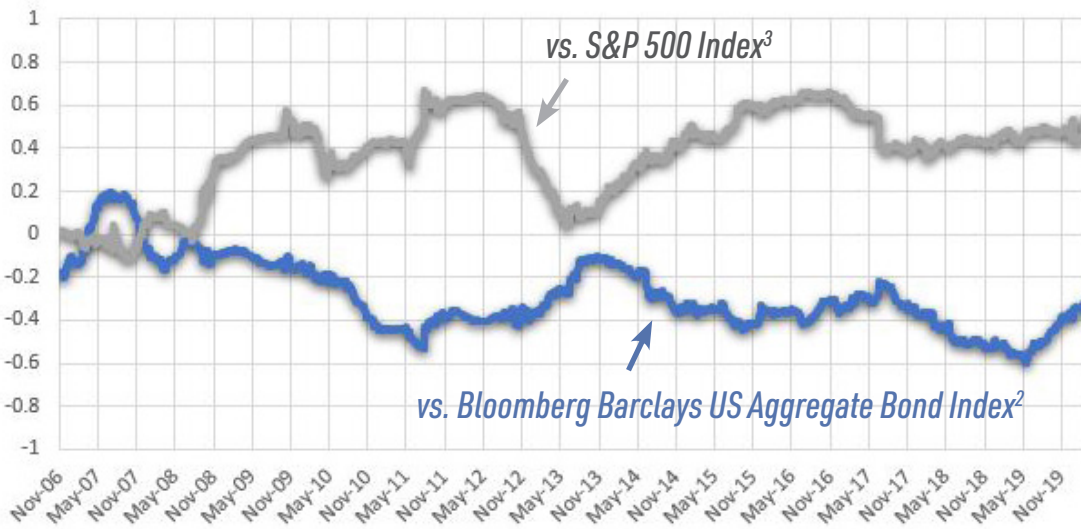
**Driehaus Active Income Fund**

**100 Day Volatility**



**Correlation<sup>1</sup> Comparison**

**12-Month Rolling Correlations**



Sources: Driehaus Capital Management, FactSet

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

<sup>1</sup>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 Bloomberg Barclays US Aggregate Bond Index are recognized proxies for the U.S. fixed income market. <sup>2</sup>The Bloomberg Barclays US Aggregate Bond Index is a broad base index, maintained by Barclays, used to represent investment grade bonds being traded in the United States. <sup>3</sup>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. An investor cannot invest directly in an index.

**Driehaus Active Income Fund**

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.

This material 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. The opinions expressed are those of Driehaus Capital Management LLC (“Driehaus”) and are subject to change at any time due to changes in market or economic conditions. Driehaus does not guarantee the accuracy or completeness of this information. This data was prepared on March 11, 2020 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.

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

Forside Financial Services, 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

**Average % of Par – Long Credit** - The average dollar price of a bond the Fund is long as a percentage of par.

**Average % of Par – Short Credit** - 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.

**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.

**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** - A measure of return per unit of risk, it 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.