DRIEHAUS
CAPITAL MANAGEMENT

DRIEHAUS EVENT DRIVEN FUND

The Long and Winding Road

3RD QUARTER 2020

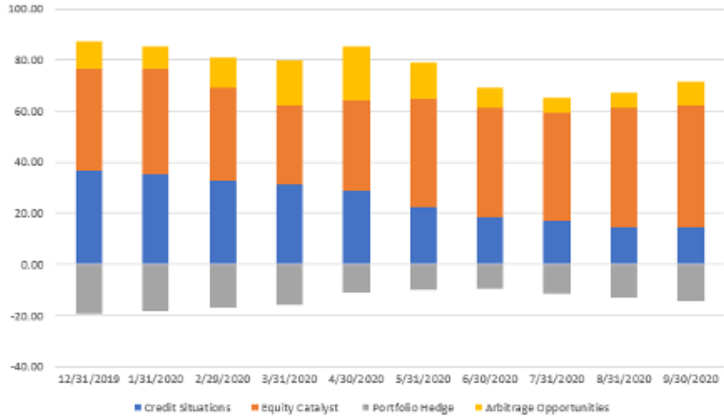
As we begin the final quarter of this extraordinary year, we continue to be amazed by the magnitude and pace of change occurring in the world. The global economy is still grappling with an historic pandemic that has rippled through all facets of our lives; work, school, leisure, care, and so much more. While certain aspects of this 'new normal' are becoming more routine, other aspects are as jarring today as they were at the onset of the COVID 19 crisis.

These continuous twists and turns have driven wild swings in sentiment and valuations that are perhaps best summarized by the classic Beatles song "The Long and Winding Road." As we wrote in last quarter's letter:

> *Halfway through a year that feels like it has compressed a decade's worth of market action into a matter of months, we remain encouraged by the heightened level of activity across our key investing classes. ... While today's landscape and sentiment feel entirely different than the previous quarter, the opportunity set remains compelling, nonetheless.*

To a large extent, that statement holds as true today as it did then, much as we anticipate it to be so for future quarters to come. **Within that context, the key tenets of our investment philosophy remain unchanged, even as our focal points shift.** The fund's multi strategy approach to Event driven investing allows us to allocate capital to asset classes that afford the most appealing risk adjusted opportunity. We have continuously viewed this as an optimal approach to portfolio management versus a siloed, limited investment mandate, and that belief is bolstered by today's investment landscape. In turn, the fund weightings across our major investment strategies tend to reflect the absolute, as well as relative, attractiveness of each opportunity set. Examining shifts in these weightings can provide helpful insight into the way the event landscape is developing and unfolding before us. As shown in Exhibit 1, the fund entered the year with a fairly balanced breakdown across equity & credit catalysts, a minimal exposure to arbitrage opportunities due to limited attractiveness, and portfolio hedges in line with historical weightings.

Exhibit 1: Investment Strategy Allocations YTD



Source: FactSet

As the first quarter ended and into the second, the opportunity set for arbitrage (mergers and special purpose acquisition companies) expanded dramatically, and the fund allocated capital to these situations. Further, as the unprecedented monetary and fiscal stimulus began to saturate markets, credit spreads tightened materially and consequently the fund's exposure to credit situations decreased. Concurrently, the opportunity set in SPACs and private investments in public equity (PIPEs), both pre and post deal announcement, began to accelerate.

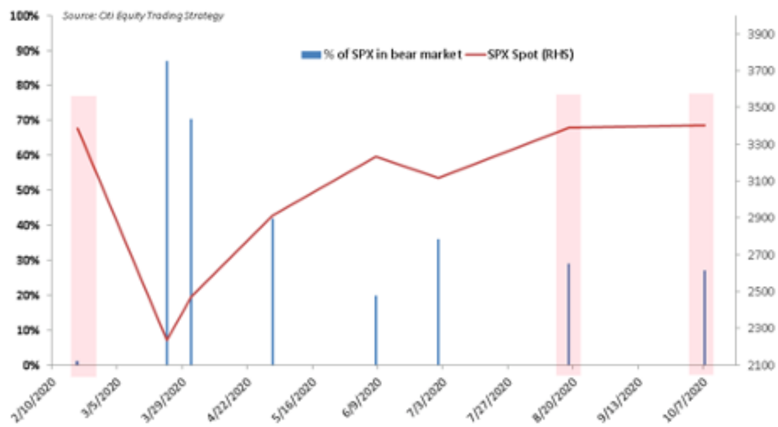
At the time of writing early in the fourth quarter our exposures remain geared toward a broad blend of our three main investment classes. The equity catalyst strategy currently holds the largest weighting at 43%, offset by hedges which, after dropping approximately by half at the depths of the sell off, have now returned closer to their historic norms.

Under the evolving market backdrop in which correlations are again declining and capital markets activity is booming, while nearly 30% of S&P 500 constituents are still in a bear market, the fund has continued to source and invest in idiosyncratic situations that unlock value via corporate actions. This approach has insulated the fund from the unprecedented volatility experienced by the broader financial markets in 2020. Year to date, the fund's volatility has been approximately one third of the S&P 500 and its beta to the S&P 500 is just 0.2. From a risk reward perspective, the fund's (trailing 1 year) Sharpe ratio through the first three quarters of the year stands at 3x that of broad equity markets, 1.28 vs. 0.42 respectively.

Exhibit 2: Correlations have now retraced back down to pre COVID levels

Source: Bloomberg

Exhibit 3: Nearly one in three S&P 500 constituents remains in a bear market

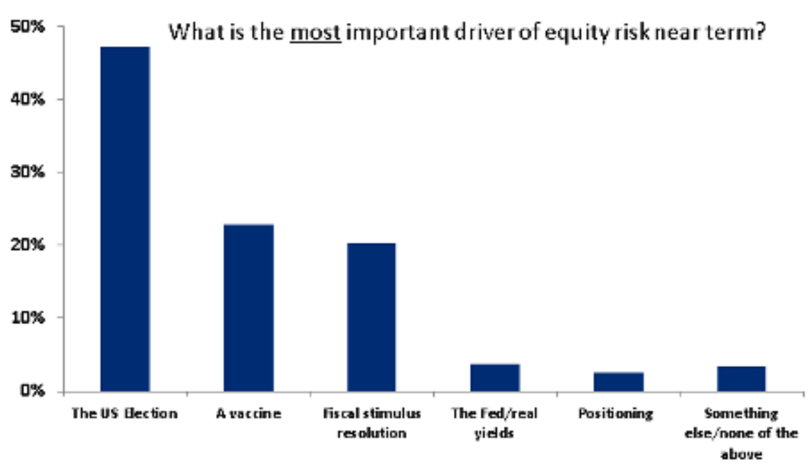


Source: Citi Equity Trading Strategy

Ahead of the election, it is important to note the seemingly constant uncertainty that permeates throughout the markets with respect to the outcome and associated implications. Prognostications aside (we would not want to be in that line of business anyway), we're encouraged by the prospects for the fund under either scenario.

If the next presidential term is a continuation of the past four years, we anticipate event investing to remain robust on the heels of strong corporate activity, the potential for further deregulation, and fast paced technological advancements that have long lasting impacts. On the flip side, a new administration will put a fresh imprint on the agenda forward: infrastructure spending, a possible change to corporate taxes, and broad-based spending will likewise support a shifting corporate landscape and high level of equity capital markets activity. However it may unfold, we acknowledge the view that the clearing of the 'election event' will be a significant occurrence, one that will likely afford near and medium-term opportunity.

Exhibit 4: Investor anticipation and focus remains keenly focused on the election outcome



Source: Citi Equity Trading Strategy

As highlighted throughout this and previous letters, the fund's approach to investing across asset classes using a multi strategy approach helps to ensure that we can capitalize on idiosyncratic events in the most prudent and capital efficient manner. Further, this flexibility allows us to take advantage of larger seismic shifts that may be an outcome of discrete events on the horizon (such as the upcoming election) that may disproportionately impact various asset classes.

Whichever way the next few months wind down the road, there won't be a shortage of activity. In the meantime, we wish you to be well and safe.

Performance Review

For the third quarter of 2020, the Driehaus Event Driven Fund returned 6.73% and the S&P 500 Index returned 8.93%.[1] Year to date the fund has returned 11.17% outperforming the 5.57% return of S&P 500 Index. The equity catalyst driven investment strategy was the fund's biggest contributor (+5.89%), while the portfolio hedge investment strategy detracted (-0.08%). The bond catalyst driven (+1.11%), risk arbitrage (+0.29%) and deep value (-0.13%) investment strategies accounted for the remainder of the fund's performance. The largest contributors for the quarter were an IPO in the therapeutics space (+173 basis points), a biotechnology company that secured funding for the acquisition of a private company (+171 basis points) and a cardiovascular medicine company that gained on published data (+120 basis points). The largest detractors for the quarter included three companies in the healthcare sector: one that released data that didn't meet investor expectations (-124 basis points), and two other ones that gave back some of the year's previous gains (-33 basis points and -29 basis points).

Stay well,

Mike, Tom and Yoav

[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 (800) 560-6111 or visit www.driehaus.com for more current performance information.**

Driehaus Event Driven Fund

Investment Philosophy

- Corporate events and special situations – such as M&A, spin-offs, restructurings and complex business models – create market inefficiencies and provide a consistent source of attractively mispriced securities, across the capital structure.
- In-depth, fundamental research and the ability to invest globally and across companies' capital structures offers opportunities to identify superior risk-adjusted investments.
- Investing in highly liquid securities promotes nimbleness and helps mitigate risk.

% Month-End Performance (as of 9/30/20)

				Annualized			
	MTH	YTD	1 Year	3 Year	5 Year	10 Year	Inception[1]
Driehaus Event Driven Fund	**1.74**	**11.17**	**16.75**	**8.85**	**7.24**	**n/a**	**5.32**
S&P 500 Index[2]	-3.80	5.57	15.15	12.28	14.15	n/a	12.69
FTSE 3-Month T-Bill Index[3]	0.01	0.56	1.02	1.65	1.16	n/a	0.82

% Quarter-End Performance (as of 9/30/20)

				Annualized			
	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Inception[1]
Driehaus Event Driven Fund	**6.73**	**11.17**	**16.75**	**8.85**	**7.24**	**n/a**	**5.32**
S&P 500 Index[2]	8.93	5.57	15.15	12.28	14.15	n/a	12.69
FTSE 3-Month T-Bill Index[3]	0.03	0.56	1.02	1.65	1.16	n/a	0.82

Morningstar Multi-Alternative Rankings[6] (as of 9/30/20)

	1 Year	3 Year	5 Year
Number of Funds in Category	90	79	66
Position - DEVDX	2	3	4
Percentile Ranking - DEVDX	**2%**	**4%**	**6%**

Source: Driehaus Capital Management, FactSet
Data as of 9/30/20

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 (800) 560-6111 or visit www.driehaus.com for more current performance information.

[1]The Driehaus Event Driven Fund has an inception date of August 26, 2013. [2]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. [3]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. An investor cannot invest directly in an index. [4]Represents the Annual Fund Operating Expenses as disclosed in the current prospectus dated April 30, 2020. 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. A shareholder may be required to pay a commission to their financial intermediary. [5]Since fund inception (8/26/13). [6]Morningstar peer group: Morningstar Multi Alternative Category (all share classes). Data based on monthly returns of 90, 79 and 66 mutual funds (all share classes) for the one, three and five year periods respectively. Net of fees. Past performance is no guarantee of future results.

Terms. **Beta:** A measure of a portfolio's volatility compared to that of the market as a whole.

Ticker
DEVDX

The Driehaus Event Driven Fund seeks to provide:

- Attractive risk-adjusted returns
- Low correlations to major asset classes
- Less than two-thirds the volatility of S&P 500 Index
- Idiosyncratic risk exposures

Facts

Inception Date	8/26/13
Fund Assets Under Management	$119M
Firm Assets Under Management	10.2B
Portfolio Concentration	Flexible, best ideas approach, historically 25-50 trades
Distributions	Quarterly dividends; annual capital gains

Annual Operating Expenses[5]

Gross Expenses	1.93%
Net Expenses	1.93%

Executive Summary

Long Exposure	$87,722,186
Short Exposure	$(19,165,096)
Net Exposure	$68,557,090
Net Exposure % of AUM	57.73%
Gross Exposure	$106,887,282
Gross Exposure % of AUM	90.00%

Portfolio Summary

100 Day Volatility	11.71%
S&P 500 Index 100 Day Volatility	20.78%
Beta vs. S&P 500 Index[5]	0.31
Beta vs. ICE BofA Merrill Lynch US High Yield Index[5]	0.79
Beta vs. Bloomberg Barclays US Aggregate Bond Index[5]	(0.25)
Correlation vs. S&P 500 Index[5]	0.62
Correlation vs. ICE BofA Merrill Lynch US High Yield Index[5]	0.47
Correlation vs. Bloomberg Barclays US Aggregate Bond Index[5]	(0.09)

Portfolio Management

Michael Caldwell, Portfolio Manager
13 years of industry experience

Tom McCauley, Portfolio Manager
14 years industry experience

Yoav Sharon, Portfolio Manager
15 years industry experience

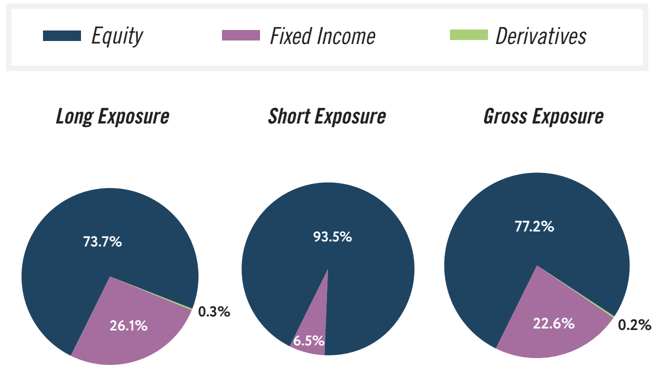
DEVDX Portfolio Characteristics*

Investment Strategy

	Gross Exposure	% of Gross Exposure	% Contribution to Total Return
Bond Catalyst Driven	20,046,626	18.8%	0.17%
Deep Value	865,921	0.8%	-0.28%
Equity Catalyst Driven	58,196,691	54.4%	1.93%
Portfolio Hedge	17,011,642	15.9%	0.06%
Risk Arbitrage	10,766,401	10.1%	-0.10%
Cash and Expenses**			-0.11%
Total	**106,887,282**	**100.0%**	**1.67%**

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

Exposure Breakdown by Asset Class



Product Type

	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Corporate	21,593,640	24.6%	(1,253,676)	6.5%	22,847,316	21.4%
Preferred	1,283,486	1.5%	0	0.0%	1,283,486	1.2%
Fixed Income	**22,877,126**	**26.1%**	**(1,253,676)**	**6.5%**	**24,130,802**	**22.6%**
ADR/GDR	3,038,942	3.5%	0	0.0%	3,038,942	2.8%
Equity Common	51,792,973	59.0%	(899,777)	4.7%	52,692,750	49.3%
Exchange Traded Fund	0	0.0%	(17,011,642)	88.8%	17,011,642	15.9%
Private Equity	9,782,504	11.2%	0	0.0%	9,782,504	9.2%
Equity	**64,614,419**	**73.7%**	**(17,911,420)**	**93.5%**	**82,525,838**	**77.2%**
Warrants	230,641	0.3%	0	0.0%	230,641	0.2%
Derivatives	**230,641**	**0.3%**	**0**	**0.0%**	**230,641**	**0.2%**
Total	**87,722,186**	**100.0%**	**(19,165,096)**	**100.0%**	**106,887,282**	**100.0%**

Source: Driehaus Capital Management, FactSet

*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.

**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.

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

Driehaus Event Driven Fund

Sector

	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
GICS[1]						
Communication Services	9,371,552	10.7%	(842,420)	4.4%	10,213,971	9.6%
Consumer Discretionary	4,646,591	5.3%	0	0.0%	4,646,591	4.3%
Consumer Staples	0	0.0%	0	0.0%	0	0.0%
Energy	1,188,664	1.4%	0	0.0%	1,188,664	1.1%
Financials	22,672,810	25.8%	(2,234,534)	11.7%	24,907,344	23.3%
Health Care	40,579,656	46.3%	(14,994,438)	78.2%	55,574,094	52.0%
Industrials	2,917,682	3.3%	(57,358)	0.3%	2,975,040	2.8%
Information Technology	0	0.0%	0	0.0%	0	0.0%
Materials	0	0.0%	0	0.0%	0	0.0%
Real Estate	4,281,344	4.9%	(1,036,347)	5.4%	5,317,691	5.0%
Utilities	2,063,888	2.4%	0	0.0%	2,063,888	1.9%
Other[2]	0	0.0%	0	0.0%	0	0.0%
Total	**87,722,186**	**100.0%**	**(19,165,096)**	**100.0%**	**106,887,282**	**100.0%**

Region*

	Long Exposure ($)	% of Long Exposure	Short Exposure ($)	% of Short Exposure	Gross Exposure ($)	% of Gross Exposure
Developed	7,866,503	9.0%	(57,358)	0.3%	7,923,860	7.4%
Emerging	0	0.0%	0	0.0%	0	0.0%
United States	79,855,684	91.0%	(19,107,738)	99.7%	98,963,422	92.6%
Total	**87,722,186**	**100.0%**	**(19,165,096)**	**100.0%**	**106,887,282**	**100.0%**

Top Contributors/Detractors (by Investment Strategy)

Top 5	
Equity Catalyst Driven	1.06%
Equity Catalyst Driven	0.77%
Equity Catalyst Driven	0.24%
Equity Catalyst Driven	0.18%
Bond Catalyst Driven	0.16%
Total	**2.40%**

Bottom 5	
Equity Catalyst Driven	-0.31%
Deep Value	-0.28%
Equity Catalyst Driven	-0.16%
Equity Catalyst Driven	-0.12%
Risk Arbitrage	-0.12%
Total	**-0.99%**

Source: Driehaus Capital Management, FactSet
*Region exposure is based on country of domicile

Quarterly Contribution to Return (by Investment Strategy)

	Jul	Aug	Sep	3rd QTR
Bond Catalyst Driven	0.57%	0.36%	0.17%	1.11%
Deep Value	0.09%	0.07%	-0.28%	-0.13%
Equity Catalyst Driven	-0.04%	3.86%	1.93%	5.89%
Portfolio Hedge	0.14%	-0.28%	0.06%	-0.08%
Risk Arbitrage	0.40%	-0.01%	-0.10%	0.29%
Cash/Expenses[3]	-0.11%	-0.11%	-0.11%	-0.36%
Total	**1.06%**	**3.88%**	**1.67%**	**6.71%**

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

[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. [3]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.

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

Sector Breakout by Top Weighted Investment Strategy

Sector	Investment Strategy	Security Type	Average Weight	Contribution To Return
Communication Services			**6.79**	**-0.11**
	Equity Catalyst Driven	Corporate	2.37	0.08
	Equity Catalyst Driven	Equity Common	1.54	-0.17
	Risk Arbitrage	Corporate	1.50	0.00
	Bond Catalyst Driven	Corporate	1.28	0.08
	Deep Value	Equity Common	0.86	-0.28
Consumer Discretionary			**4.55**	**-0.11**
	Equity Catalyst Driven	Private Equity	2.13	-0.09
	Bond Catalyst Driven	Corporate	1.45	0.03
	Risk Arbitrage	Equity Common	0.98	-0.05
Energy			**1.01**	**0.01**
	Bond Catalyst Driven	Corporate	1.01	0.01
Financials			**17.82**	**0.45**
	Bond Catalyst Driven	Corporate	3.14	-0.02
	Equity Catalyst Driven	Corporate	2.03	0.04
	Equity Catalyst Driven	Equity Common	1.95	0.23
	Portfolio Hedge	Exchange Traded Fund	-1.81	0.13
	Equity Catalyst Driven	Equity Common	1.75	0.00
Health Care			**20.67**	**1.56**
	Portfolio Hedge	Exchange Traded Fund	-9.25	-0.08
	Equity Catalyst Driven	Private Equity	4.74	1.06
	Equity Catalyst Driven	Equity Common	3.45	0.77
	Portfolio Hedge	Exchange Traded Fund	-3.28	0.00
	Equity Catalyst Driven	Equity Common	2.99	-0.31
Industrials			**2.40**	**0.08**
	Bond Catalyst Driven	Corporate	1.03	0.03
	Bond Catalyst Driven	Corporate	0.74	0.01
	Equity Catalyst Driven	Equity Common	0.49	0.04
	Equity Catalyst Driven	Equity Common	0.19	-0.01
	Bond Catalyst Driven	Equity Common	-0.05	0.01
Real Estate			**1.87**	**-0.09**
	Equity Catalyst Driven	Equity Common	1.65	0.01
	Bond Catalyst Driven	Corporate	-0.90	0.00
	Risk Arbitrage	Equity Common	0.89	-0.12
	Equity Catalyst Driven	Equity Common	0.23	0.02
Utilities			**1.71**	**-0.02**
	Equity Catalyst Driven	Equity Common	1.71	-0.02

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.

Market Turbulence Resulting from COVID-19. The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund.

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 (800) 560-6111. 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 October 12, 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. 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.

Foreside Financial Services, LLC, Distributor

FUND INFORMATION

Types of events in which the fund frequently invests include:

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

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

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

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.

Types of trades in which the fund frequently invests include:

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

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

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

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

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

DEFINITIONS OF KEY TERMS

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.

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.

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.

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.