

Driehaus Mutual Funds

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**Annual Report to Shareholders
December 31, 2010**



DRIEHAUS MUTUAL FUNDS

Driehaus Active Income Fund

Driehaus Select Credit Fund

Distributed by:
Driehaus Securities LLC

This report has been prepared for the shareholders of the Funds and is not an offering to sell or buy any Fund securities. Such offering is only made by the Funds' prospectus.

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Driehaus Active Income Fund — Portfolio Managers' Letter

Dear Shareholders,

The Driehaus Active Income Fund ("Fund") returned 5.18% for the year ending December 31, 2010. This return was above the performance of the Fund's benchmark index, the Citigroup 3-Month Treasury Bill Index (the "Benchmark"), which returned 0.13% for the same period. The Fund underperformed the Barclays Capital U.S. Aggregate Bond Index (the "Index"), which returned 6.55% for the same period.

The year began with an economy bringing itself back to life. Mixed economic signals and sovereign debt worries throughout the first half of the year kept many investors divided between bull and bear camps. Volatility spiked in response to the prospect of European sovereign defaults and the U.S. flash crash in May. Unemployment remained chronically high and subdued inflation weighed on a matrix of financial underpinnings. Quantitative Easing 1 ("QE1"), which was put in place to stabilize the banking system in 2008, began to fade and was followed by Quantitative Easing 2 ("QE2"). This new bout of quantitative easing set the tone for an overriding theme in the markets throughout 2010 as the U.S. Federal Reserve set out to achieve higher levels of employment, economic output and inflation.

As the year progressed, strong economic data and plentiful credit paved the way for gains across stocks, bonds and commodities. A record low yield environment courtesy of the U.S. Federal Reserve supported the restructuring of corporate capital structures and provided the backbone for a benign default outlook. Rising global growth prospects trumped Euro-led contagion and U.S. "double dip" fears, which in turn sparked a rally in commodities and stocks. The fixed income markets posted a year of gains, but showed substantial weakness into year end as Treasury yields began to rise.

Reflecting back on the year, 2010 was a great year for investing. It is not too often when you will record gains across stocks, bonds, and commodities all in the same year. Unfortunately for the Fund, absolute return strategies generally lagged long-only strategies during the year. Nevertheless, with the HFRI and HFRX Global Hedge Fund Indices up 10.3% and 5.2% for the year, respectively, 2010 can hardly be considered a disaster. As for the Fund's performance, we would characterize it as mildly satisfactory for the year.

For our investors that use the Fund as primarily a fixed income exposure, our lack of duration caused the Fund to lag most major benchmarks for the past year. However, for our absolute return-oriented investors, the Fund modestly outperformed other liquid alternative mutual funds.

The Fund experienced a 3% drawdown in May as the precarious situation in Greece took center stage. Fortunately, we made some changes to the Fund that enabled us to perform well relative to the broader equity markets during tumultuous periods in the market later in the year, such as in June and August. We stayed focused on corporate fundamentals during the second and third quarters when the bears took over the airwaves. As a result, we took advantage of market weakness to initiate some attractive positions within the Fund.

The bulk of our gains were generated from our Directional Long exposure in 2010. This is not surprising given our significant weighting to the strategy over the past 12 months and our belief that spreads would tighten, particularly in high yield. The largest detractor from returns was our Interest Rate Hedge, which worked against the Fund all year until the fourth quarter. Our Capital Structure exposure contributed meaningfully to performance as volatility remained elevated for the year and selected debt versus equity trades performed well.

We took our cues from a very transparent U.S. Federal Reserve. Their commentary and actions throughout the year dictated that investors should be buying riskier assets (equities, high yield, commodities and preferred securities) and decrease exposure to those that may be hurt by inflation (U.S. Treasuries, investment grade fixed income and cash). We have stated many times throughout 2010 that high grade fixed income securities seem pretty unattractive to us given: (1) the high level of interest sensitivity to many of these products; (2) the current level of interest rates; and (3) the current level of investment grade credit spreads. An investment in high grade fixed income is now simply a bet on interest rates.

Our Directional Short strategy detracted from returns in most months. However, due to our general view that credit fundamentals would improve for most companies, we committed a relatively small amount of capital to the strategy (usually less than 5% of the Fund's exposure).

From a correlation standpoint, the Fund performed fairly well in 2010. Correlations between the Fund and the other instruments (S&P 500 Index, oil futures, the U.S. Dollar Index, the 10 Year Treasury, the Barclays Capital U.S. Aggregate Bond Index, the Chicago Board Options Exchange Volatility Index, and the J.P. Morgan High Yield 100 Index) exceeded +0.500 in only one circumstance, namely with the J.P. Morgan High Yield 100 Index. This was not unexpected, as we relayed throughout 2010 that we were shifting our credit exposure from investment grade corporates to the high yield end of the spectrum. The correlation between the Fund and the other instruments was less than -0.500 in only one case. The Fund's correlation to the 10 Year Treasury finished the year at -0.683. Due to the Fund's interest rate hedge and the nature of the rate move in 2010, our Fund often dropped when rates were quickly falling and rose when rates started to sharply rise.

Going forward into 2011, we expect the markets to continue to support risky assets. We would not be surprised to see spikes in volatility along the way, much like in 2010, as fiscal budgets globally are stretched and inflation signals have clearly emerged around the world. But in the end, we believe high yield and distressed credit should benefit from an increased appetite for risk and strong balance sheets. Given that, we expect the default rate for U.S. high yield next year will fall below 3% and that spreads should continue to tighten towards historical averages. We expect rates to grind higher given the end of the Fed's Treasury purchase program, concerns over continued budget deficits, and fund flows out of fixed income and into equities.

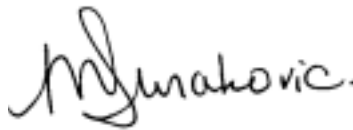
In summary, we believe 2011 presents another great year for investment opportunities and will likely bring a host of mergers and acquisitions, leveraged buyouts and shareholder friendly actions that will lift equity valuations and provide us with greater investment opportunities within a company's capital structure. Based on our current positioning, we would expect returns to be negatively affected by widening spreads, declining asset volatility, and quickly dropping U.S. Treasury yields. If credit spreads were to tighten, volatility remain elevated, and U.S. Treasury yields rise sharply, the Fund's returns may exceed our expectations. Annualized volatility is expected to track around 3% for the Driehaus Active Income Fund, as it has for most of the Fund's existence.

We thank you for your continued support and interest in the Driehaus Active Income Fund. We wish you the best in getting off to a positive start in the New Year.

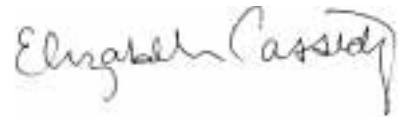
Sincerely,



K.C. Nelson
Portfolio Manager



Mirsada Durakovic
Assistant Portfolio Manager



Elizabeth Cassidy
Assistant Portfolio Manager

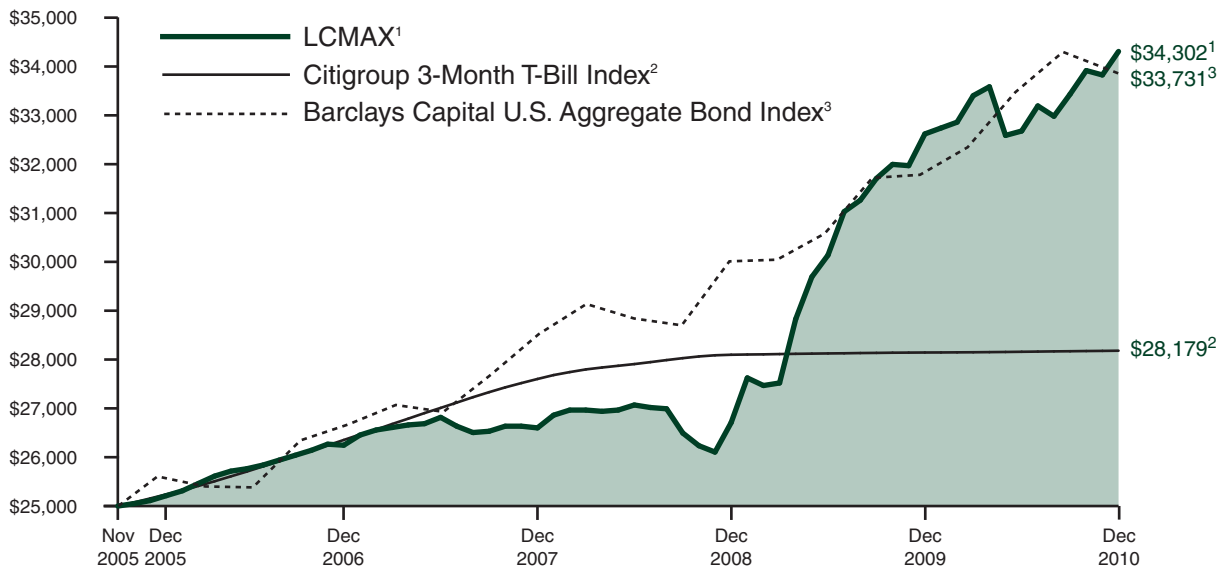
Performance is historical and does not represent future results.

**Driehaus Active Income Fund
Performance Overview (unaudited)**

The performance summarized below is historical and does not represent future results. Investment returns and principal value vary, and you may have a gain or loss when you sell shares. Performance data presented measures the change in the value of an investment in the Fund, assuming reinvestment of all dividends and capital gains. Average annual total return reflects annualized change.

The table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The graph compares the results of a \$25,000 investment (minimum investment) in the Fund since November 8, 2005 (the date of the Predecessor Fund's inception), with all dividends and capital gains reinvested, with the indicated indices (and dividends reinvested) for the same period.

Average Annual Total Returns as of 12/31/10	1 Year	3 Years	5 Years	Since Inception (11/08/05 - 12/31/10)
Driehaus Active Income Fund (LCMAX) ¹	5.18%	8.85%	6.44%	6.34%
Citigroup 3-Month T-Bill Index ²	0.13%	0.69%	2.30%	2.35%
Barclays Capital U.S. Aggregate Bond Index ³	6.55%	5.90%	5.80%	5.99%



¹ The Driehaus Active Income Fund (the "Fund") performance shown above includes the performance of the Lotsoff Capital Management Active Income Fund (the "Predecessor Fund") for the periods before the Fund's registration statement became effective. The Fund received the assets and liabilities of the Predecessor Fund on June 1, 2009 through a reorganization of the Predecessor Fund into the Fund. The Predecessor Fund was a nondiversified fund that was a series of another management investment company registered under the Investment Company Act of 1940, as amended. The Fund had no prior operating history prior to succeeding to the assets of the Predecessor Fund. The Fund has substantially similar investment objectives, strategies, and policies as the Predecessor Fund. Financial and performance information of the Fund includes the Predecessor Fund information. The returns for the periods prior to October 1, 2006, reflect fee waivers and/or reimbursements without which performance would have been lower.

² 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 reflect reinvestment of all distributions and changes in market prices.

³ The Barclays Capital U.S. Aggregate Bond Index, an unmanaged index, represents securities that are SEC-registered, taxable and dollar denominated. This index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Driehaus Active Income Fund
Schedule of Investments
December 31, 2010

	<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>		<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>
ASSET-BACKED SECURITIES — 4.90%				Commercial Services — 0.74%	
321 Henderson				Altegrity, Inc.	
Receivables I LLC				7.75%, 2/21/15 ²	\$ 13,442,475 \$ 13,560,097
0.46%, 9/15/41 ^{1,2,4}	\$ 673,522	\$ 603,302		Language Line LLC	
Bear Stearns Asset Backed				10.50%, 10/26/16 ^{2,4}	2,500,000 2,562,500
Securities Trust					<u>16,122,597</u>
0.32%, 2/25/28 ²	6,486,202	6,186,183		Diversified Financial Services — 0.07%	
Capital Auto Receivables				Fifth Third Processing	
Asset Trust				Solutions, Inc.	
5.21%, 3/17/14	19,082,098	19,511,197		8.25%, 11/1/17 ²	1,500,000 1,526,250
Citigroup Mortgage Loan				Telecommunications — 0.08%	
Trust, Inc.				Sorenson Communications,	
0.33%, 1/25/37 ²	456,235	193,063		Inc.	
CNL Funding				6.00%, 8/16/13 ²	1,728,578 1,645,243
7.65%, 6/18/14 ¹	4,771,823	4,464,073		Total BANK LOANS	
Countrywide Asset-Backed				(Cost \$39,892,060)	<u>40,404,498</u>
Certificates				CORPORATE BONDS — 44.85%	
0.50%, 4/25/34 ²	122,988	101,709		Agriculture — 2.14%	
Fannie Mae REMICS				Altria Group, Inc.	
0.58%, 6/25/36 ²	19,158,785	19,199,057		9.70%, 11/10/18	8,000,000 10,569,240
Freddie Mac REMICS				Lorillard Tobacco Co.	
1.50%, 3/15/15	37,943,139	38,059,586		8.13%, 6/23/19	12,000,000 13,373,520
Freddie Mac REMICS				Lorillard Tobacco Co.	
0.46%, 1/15/35 ²	10,170,011	10,141,840		6.88%, 5/1/20	22,000,000 22,761,332
JP Morgan Alternative Loan					<u>46,704,092</u>
Trust				Auto Parts & Equipment — 0.44%	
0.32%, 3/25/37 ²	404,002	343,848		Lear Corp.	
Merrill Lynch Mortgage				7.88%, 3/15/18	712,000 765,400
Investors, Inc.				Lear Corp.	
0.73%, 8/25/35 ²	143,868	129,984		8.13%, 3/15/20	6,313,000 6,896,952
Wachovia Auto Loan				Tower Automotive	
Owner Trust				Holdings USA LLC/TA	
5.15%, 7/20/12 ¹	5,210,467	5,222,065		Holdings Finance, Inc.	
Wells Fargo Mortgage Loan				10.63%, 9/1/17 ¹	1,878,000 2,028,240
Trust					<u>9,690,592</u>
0.36%, 8/27/47 ^{1,2,4}	3,125,125	<u>2,906,366</u>		Banks — 4.31%	
Total ASSET-BACKED				JPMorgan Chase & Co.	
SECURITIES				7.90%, 4/29/49 ²	57,813,000 61,661,669
(Cost \$106,562,593)		<u>107,062,273</u>		Morgan Stanley	
BANK LOANS — 1.85%				7.30%, 5/13/19	16,000,000 18,038,848
Advertising — 0.50%				Wells Fargo & Co.	
Advantage Sales &				7.98%, 3/15/18 ²	13,500,000 14,310,000
Marketing LLC					<u>94,010,517</u>
9.25%, 5/29/18 ^{2,4}	3,500,000	3,535,000		Chemicals — 2.54%	
Visant Corp.				CF Industries, Inc.	
7.00%, 12/22/16 ²	7,406,438	<u>7,487,908</u>		7.13%, 5/1/20	18,500,000 20,303,750
		<u>11,022,908</u>		Hexion U.S. Finance	
Aerospace & Defense — 0.46%				Corp./Hexion Nova	
TransDigm Group, Inc.				Scotia Finance ULC	
6.76%, 12/25/16 ^{2,4}	10,000,000	10,087,500		9.00%, 11/15/20 ¹	250,000 265,000
				Momentive Performance	
				Materials, Inc.	
				11.50%, 12/1/16	25,250,000 27,522,500

Notes to Financial Statements are an integral part of this Schedule.

Driehaus Active Income Fund
Schedule of Investments
December 31, 2010

	<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>		<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>
Momentive Performance Materials, Inc. 9.00%, 1/15/21 ¹	\$ 250,000	\$ 264,375			
Nalco Co. 6.63%, 1/15/19 ¹	7,000,000	7,192,500			
		<u>55,548,125</u>			
Coal — 0.35%					
International Coal Group, Inc. 9.13%, 4/1/18	7,100,000	7,703,500			
Commercial Services — 2.64%					
DynCorp International, Inc. 10.38%, 7/1/17 ^{1,4}	26,250,000	26,578,125			
United Rentals North America, Inc. 8.38%, 9/15/20	7,250,000	7,413,125			
Wyle Services Corp. 10.50%, 4/1/18 ^{1,4}	24,285,000	23,556,450			
		<u>57,547,700</u>			
Computers — 0.93%					
Seagate HDD Cayman (Cayman Islands) 7.75%, 12/15/18 ^{1,3}	20,000,000	20,350,000			
Diversified Financial Services — 2.58%					
American Express Co. 6.80%, 9/1/66 ²	34,843,000	34,755,892			
AMO Escrow Corp. 11.50%, 12/15/17 ^{1,4}	1,000,000	1,050,000			
Ford Motor Credit Co. LLC 7.38%, 2/1/11	5,000,000	4,987,500			
Jefferies Group, Inc. 8.50%, 7/15/19	10,800,000	12,367,696			
Textron Financial Corp. 6.00%, 2/15/67 ^{1,2}	3,824,000	3,274,300			
		<u>56,435,388</u>			
Electronics — 1.18%					
NXP BV/NXP Funding LLC (Netherlands) 3.04%, 10/15/13 ^{2,3}	26,000,000	25,707,500			
Entertainment — 0.77%					
AMC Entertainment Holdings, Inc. 9.75%, 12/1/20 ¹	3,000,000	3,135,000			
Midwest Gaming Borrower LLC/Midwest Finance Corp. 11.63%, 4/15/16 ¹	13,137,000	13,662,480			
		<u>16,797,480</u>			
			Healthcare — Services — 1.85%		
			Aurora Diagnostics Holdings/Aurora Diagnostics Financing, Inc. 10.75%, 1/15/18 ^{1,4}	\$ 14,500,000	\$ 14,500,000
			Healthsouth Corp. 7.75%, 9/15/22	25,000,000	25,875,000
					<u>40,375,000</u>
			Holding Companies — Diversified — 0.23%		
			Hutchison Whampoa International 10 Ltd. (Cayman Islands) 6.00%, 12/29/49 ^{1,2,3}	5,000,000	4,969,440
			Household Products/Wares — 1.93%		
			Armored Autogroup, Inc. 9.25%, 11/1/18 ^{1,4}	33,775,000	33,268,375
			Spectrum Brands Holdings, Inc. 9.50%, 6/15/18 ¹	8,000,000	8,800,000
					<u>42,068,375</u>
			Insurance — 1.59%		
			Chubb Corp. 6.38%, 3/29/67 ²	29,500,000	30,901,250
			MBIA Insurance Corp. 14.00%, 1/15/33 ^{1,2,4}	7,150,000	3,789,500
					<u>34,690,750</u>
			Iron/Steel — 1.92%		
			Allegheny Technologies, Inc. 9.38%, 6/1/19	13,000,000	15,210,000
			ArcelorMittal (Luxembourg) 7.00%, 10/15/39 ³	25,625,000	26,677,086
					<u>41,887,086</u>
			Leisure Time — 1.45%		
			Equinox Holdings, Inc. 9.50%, 2/1/16 ¹	29,867,000	31,696,354
			Lodging — 0.35%		
			Hyatt Hotels Corp. 6.88%, 8/15/19 ¹	7,000,000	7,665,035
			Media — 1.44%		
			Clear Channel Worldwide Holdings, Inc. 9.25%, 12/15/17	600,000	655,500
			Clear Channel Worldwide Holdings, Inc. 9.25%, 12/15/17	2,400,000	2,640,000
			ProQuest LLC/ProQuest Notes Co. 9.00%, 10/15/18 ¹	27,230,000	28,183,050
					<u>31,478,550</u>

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Driehaus Active Income Fund
Schedule of Investments
December 31, 2010

	<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>		<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>
Miscellaneous Manufacturing — 2.41%			Rite Aid Corp.		
Amsted Industries, Inc.			10.25%, 10/15/19	\$ 5,000,000	\$ 5,218,750
8.13%, 3/15/18 ¹	\$ 19,475,000	\$ 20,765,219			
GE Capital Trust I					
6.38%, 11/15/67 ²	32,140,000	31,858,775			
		<u>52,623,994</u>	Software — 0.50%		
			SSI Investments II/SSI		
			Co. — Issuer LLC		
			11.13%, 6/1/18	10,000,000	10,900,000
Oil & Gas — 1.35%			Telecommunications — 2.47%		
Anadarko Petroleum Corp.			PAETEC Escrow Corp.		
8.70%, 3/15/19	7,000,000	8,561,490	9.88%, 12/1/18 ¹	17,500,000	18,068,750
Tesoro Corp.			PAETEC Holding Corp.		
6.63%, 11/1/15	13,000,000	13,260,000	9.50%, 7/15/15	9,229,000	9,598,160
Valero Energy Corp.			Telcordia Technologies,		
6.63%, 6/15/37	7,500,000	7,641,120	Inc.		
		<u>29,462,610</u>	11.00%, 5/1/18 ¹	26,000,000	26,260,000
					<u>53,926,910</u>
			Total CORPORATE BONDS		
Packaging & Containers — 0.24%			(Cost \$928,770,523)		<u>979,133,634</u>
Graham Packaging Co. LP/			CONVERTIBLE CORPORATE BONDS — 18.20%		
GPC Capital Corp. I			Airlines — 1.45%		
9.88%, 10/15/14	5,000,000	5,200,000	UAL Corp.		
Pharmaceuticals — 0.76%			5.00%, 2/1/21	22,900,000	21,583,250
ConvaTec Healthcare			UAL Corp.		
E.S.A. (Luxembourg)			4.50%, 6/30/21	10,000,000	10,175,000
10.50%, 12/15/18 ^{1,3,4}	4,500,000	4,533,750			<u>31,758,250</u>
Patheon, Inc. (Canada)			Auto Manufacturers — 3.50%		
8.63%, 4/15/17 ^{1,3}	12,000,000	12,030,000	Ford Motor Co.		
		<u>16,563,750</u>	4.25%, 11/15/16	38,150,000	76,443,062
			Biotechnology — 0.88%		
Pipelines — 1.67%			Amylin Pharmaceuticals,		
Enbridge Energy Partners			Inc.		
LP			2.50%, 4/15/11	19,170,000	19,217,925
8.05%, 10/1/77 ²	31,500,000	32,434,605	Computers — 1.30%		
Oneok, Inc.			SanDisk Corp.		
6.00%, 6/15/35	4,250,000	4,130,001	1.50%, 8/15/17	25,100,000	28,457,125
		<u>36,564,606</u>	Electrical Components & Equipment — 2.21%		
			SunPower Corp.		
Retail — 6.81%			4.50%, 3/15/15 ¹	8,500,000	7,666,150
Dunkin Finance Corp.			Suntech Power Holdings		
9.63%, 12/1/18 ¹	29,000,000	29,435,000	Co., Ltd. (China)		
Giraffe Acquisition Corp.			3.00%, 3/15/13 ³	46,119,000	40,642,369
9.13%, 12/1/18 ¹	10,500,000	10,998,750			<u>48,308,519</u>
Michaels Stores, Inc.			Energy — Alternate Sources — 0.64%		
11.38%, 11/1/16	15,500,000	16,972,500	LDK Solar Co., Ltd. (China)		
Michaels Stores, Inc.			4.75%, 4/15/13 ³	14,124,000	13,929,795
7.75%, 11/1/18 ¹	19,000,000	19,047,500	Entertainment — 1.80%		
Neiman Marcus Group,			International Game		
Inc.			Technology		
9.00%, 10/15/15	19,483,000	20,505,857	3.25%, 5/1/14	33,818,000	39,186,608
Neiman Marcus Group,			Lodging — 0.34%		
Inc.			Gaylord Entertainment Co.		
10.38%, 10/15/15	10,362,000	10,996,673	3.75%, 10/1/14 ¹	5,000,000	7,312,500
QVC, Inc.					
7.38%, 10/15/20 ¹	500,000	526,250			
Rite Aid Corp.					
10.38%, 7/15/16	22,850,000	23,878,250			
Rite Aid Corp.					
9.50%, 6/15/17	12,850,000	10,986,750			

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Driehaus Active Income Fund
Schedule of Investments
December 31, 2010

	<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>		<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>
Real Estate Investment Trusts — 1.54%			Convertible Preferred Stock — 7.15%		
Boston Properties LP			Auto Manufacturers — 3.13%		
3.63%, 2/15/14 ¹	\$ 14,000,000	\$ 14,962,500	Motors Liquidation Co.		
Developers Diversified			5.25%, 6/6/32 ⁴	475,000	\$ 3,819,000
Realty Corp.			Motors Liquidation Co.		
1.75%, 11/15/40	1,000,000	1,063,750	6.25%, 7/15/33 ⁴	7,940,650	64,636,891
Host Hotels & Resorts LP					<u>68,455,891</u>
2.50%, 10/15/29 ¹	12,500,000	<u>17,671,875</u>	Banks — 2.44%		
		<u>33,698,125</u>	Bank of America Corp.		
Retail — 0.09%			7.25%, 12/31/49	49,255	47,135,557
Regis Corp.			Citigroup, Inc.		
5.00%, 7/15/14	1,500,000	1,923,750	7.50%, 12/15/12	45,000	6,151,050
Semiconductors — 1.14%					<u>53,286,607</u>
ON Semiconductor Corp.			Telecommunications — 1.58%		
2.63%, 12/15/26	21,100,000	24,818,875	Lucent Technologies		
Telecommunications — 3.31%			Capital Trust I		
Ixia			7.75%, 3/15/17 ⁴	39,434	<u>34,406,165</u>
3.00%, 12/15/15 ¹	6,000,000	6,697,500	Total CONVERTIBLE		
NII Holdings, Inc.			PREFERRED STOCK		
3.13%, 6/15/12	16,625,000	16,396,406	(Cost \$146,646,367)		<u>156,148,663</u>
Virgin Media, Inc.			PREFERRED STOCKS — 4.48%		
6.50%, 11/15/16	29,550,000	<u>49,053,000</u>	Banks — 0.42%		
		<u>72,146,906</u>	Goldman Sachs Group,		
Total CONVERTIBLE			Inc.		
CORPORATE BONDS			6.13%, 11/1/60	400,000	9,260,000
(Cost \$333,184,005)		<u>397,201,440</u>	Diversified Financial Services — 0.02%		
U.S. GOVERNMENT AND AGENCY SECURITIES — 3.87%			Citigroup Capital XIII		
Federal Home Loan Banks			7.88%, 10/30/40 ²	20,000	538,200
1.38%, 5/16/11	20,000,000	20,089,400	Food — 1.41%		
Freddie Mac Non Gold			H.J. Heinz Finance Co.		
Pool			8.00%, 7/15/13 ¹	285	30,735,469
2.68%, 6/1/34 ²	1,384,959	1,444,911	Lodging — 1.27%		
United States Treasury			Las Vegas Sands Corp.		
Inflation Indexed Bonds			10.00%, 11/15/11 ⁴	247,238	27,628,847
3.50%, 1/15/11	62,829,000	<u>62,912,437</u>	Telecommunications — 1.36%		
Total U.S. GOVERNMENT			Centaur Funding Corp.		
AND AGENCY			(Cayman Islands)		
SECURITIES			9.08%, 4/21/20 ¹⁻³	27,242	<u>29,574,596</u>
(Cost \$84,293,275)		<u>84,446,748</u>	Total PREFERRED STOCKS		
COMMON STOCK — 0.74%			(Cost \$93,307,124)		<u>97,737,112</u>
Airlines — 0.13%			PURCHASED PUT OPTIONS — 0.01%		
United Continental			LDK Solar Co. Ltd., Exercise		
Holdings, Inc.	118,124	\$ 2,813,714	Price: \$2.50, (China)		
Auto Parts & Equipment — 0.57%			Expiration Date: January,		
Lear Corp.*	126,795	12,515,934	2011 ^{3,4}	66,845	—
Miscellaneous Manufacturing — 0.04%			MBIA, Inc., Exercise Price:		
Griffon Corp.	66,800	<u>851,032</u>	\$5.00, Expiration Date:		
Total COMMON STOCK			January, 2012*	3,300	181,500
(Cost \$12,190,987)		<u>16,180,680</u>			

Notes to Financial Statements are an integral part of this Schedule.

Driehaus Active Income Fund
Schedule of Investments
December 31, 2010

	<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>		<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>
MBIA, Inc., Exercise Price: \$4.00, Expiration Date: January, 2012*	2,700	\$ 89,100			
Suntech Power Holdings Co., Exercise Price: \$5.00, (China) Expiration Date: January, 2011* ⁵	22,719	—			
Trina Solar Ltd. — Spon. ADR, Exercise Price: \$2.50, (China) Expiration Date: January, 2011* ⁵	6,668	—			
Trina Solar Ltd. — Spon. ADR, Exercise Price: \$1.25, (China) Expiration Date: January, 2011* ⁵	10,000	—			
UAL Corp., Exercise Price: \$2.50, Expiration Date: January, 2011*	14,447	—			
Total PURCHASED PUT OPTIONS (Cost \$8,419,076)		270,600			
SHORT-TERM INVESTMENTS — 14.42%					
UMB Money Market Fiduciary 0.01%	314,769,315	314,769,315			
Total SHORT-TERM INVESTMENTS (Cost \$314,769,315)		314,769,315			
TOTAL INVESTMENTS (COST \$2,068,035,325)	100.47%	\$2,193,354,963			
Other Assets less Liabilities	(0.47)%	(10,292,623)			
Net Assets	100.00%	\$2,183,062,340			
SECURITIES SOLD SHORT					
CORPORATE BONDS — (0.53)%					
Advertising — (0.36)%					
Visant Corp. 10.00%, 10/1/17 ¹		\$ (7,320,000) \$ (7,795,800)			
Telecommunications — (0.17)%					
Clearwire Communications LLC/Clearwire Finance, Inc. 12.00%, 12/1/15 ¹	(1,662,000)	(1,799,115)			
Clearwire Communications LLC/Clearwire Finance, Inc. 12.00%, 12/1/17 ¹	(1,900,000)	(1,971,250)			
		(3,770,365)			
Total CORPORATE BONDS (Proceeds \$11,549,922)		(11,566,165)			
			U.S. GOVERNMENT AND AGENCY SECURITIES — (18.04)%		
			United States Treasury Note/Bond		
			2.63%, 6/30/14	\$ (58,300,000)	\$ (61,019,170)
			3.13%, 1/31/17	(30,000,000)	(31,176,570)
			2.75%, 2/15/19	(156,239,000)	(154,249,453)
			3.13%, 5/15/19	(10,000,000)	(10,107,030)
			3.63%, 8/15/19	(20,000,000)	(20,896,880)
			3.50%, 5/15/20	(30,000,000)	(30,736,110)
			4.25%, 5/15/39	(31,062,500)	(30,606,285)
			4.50%, 8/15/39	(53,500,000)	(54,946,158)
					(393,737,656)
			Total U.S. GOVERNMENT AND AGENCY SECURITIES (Proceeds \$383,028,797)		(393,737,656)
			COMMON STOCK — (8.20)%		
			Airlines — (0.08)%		
			United Continental Holdings, Inc.*	(70,875)	(1,688,243)
			Auto Manufacturers — (3.03)%		
			Ford Motor Co.*	(3,935,747)	(66,081,192)
			Computers — (0.69)%		
			SanDisk Corp.*	(302,145)	(15,064,950)
			Electrical Components & Equipment — (0.09)%		
			SunPower Corp. — Cl. A*	(151,900)	(1,948,877)
			Entertainment — (0.80)%		
			International Game Technology	(988,808)	(17,492,014)
			Lodging — (0.25)%		
			Gaylord Entertainment Co.*	(155,450)	(5,586,873)
			Real Estate Investment Trusts — (0.72)%		
			Boston Properties, Inc.	(35,800)	(3,082,380)
			Host Hotels & Resorts, Inc.	(703,100)	(12,564,397)
					(15,646,777)
			Retail — (0.05)%		
			Regis Corp.	(72,750)	(1,207,650)
			Semiconductors — (0.60)%		
			ON Semiconductor Corp.*	(1,337,988)	(13,219,321)
			Telecommunications — (1.89)%		
			Ixia*	(199,466)	(3,347,039)
			Virgin Media, Inc.*	(1,389,700)	(37,855,428)
					(41,202,467)
			Total COMMON STOCK (Proceeds \$138,707,151)		(179,138,364)
			Total INVESTMENT SECURITIES SOLD SHORT (Proceeds \$533,285,870)	(26.77)%	\$ (584,442,185)

Notes to Financial Statements are an integral part of this Schedule.

Driehaus Active Income Fund
Schedule of Investments
December 31, 2010

* Non-income producing security.

¹ 144A restricted security.

² Variable rate security.

³ Foreign security denominated in U.S. dollars and traded on a U.S. exchange.

⁴ Security valued at fair value as determined in good faith by Driehaus Capital Management LLC, investment adviser to the Fund, in accordance with procedures established by, and under the general supervision of, the Trust's Board of Trustees.

Percentages are stated as a percent of net assets.

Notes to Financial Statements are an integral part of this Schedule.

Driehaus Active Income Fund
Schedule of Investments
December 31, 2010

Counterparty	Reference Instrument	Notional Amount ^B	Pay/Receive ^A Fixed Rate	Fixed Rate	Expiration Date	Premium Paid (Received)	Unrealized Appreciation/ (Depreciation)	Credit Event	Rating ^C
SWAP CONTRACTS									
Credit Default Swaps									
Goldman Sachs	Alcatel-Lucent USA, Inc. 6.50%, 1/15/28	\$15,000,000	Pay	5.00%	9/20/2012	\$ (480,584)	\$ (281,716)	Bankruptcy/FTP	B
Goldman Sachs	Alcatel-Lucent USA, Inc. 6.50%, 1/15/28	5,000,000	Pay	5.00	12/20/2012	(278,812)	17,236	Bankruptcy/FTP	B
Goldman Sachs	Boston Properties L.P. 6.25%, 1/15/13	11,000,000	Pay	1.00	9/20/2014	848,323	(901,029)	Bankruptcy/FTP	A-
Goldman Sachs	Brunswick Corp. 7.13%, 8/1/27	10,000,000	Pay	5.00	12/20/2014	40,542	(1,101,006)	Bankruptcy/FTP	CCC
Goldman Sachs	Brunswick Corp. 7.13%, 8/1/27	10,000,000	Pay	5.00	12/20/2014	(143,212)	(917,252)	Restructuring/ Bankruptcy/FTP	CCC
Goldman Sachs	Centex Corp. 5.25%, 6/15/15	5,000,000	Pay	4.21	3/20/2013	—	(287,301)	Bankruptcy/FTP	BB-
Goldman Sachs	Continental Airlines, Inc. 5.00%, 6/15/23	1,000,000	Receive	5.00	6/20/2013	(400,000)	403,340	Bankruptcy/FTP	B
Goldman Sachs	Continental Airlines, Inc. 5.00%, 6/15/23	500,000	Receive	4.93	6/20/2012	—	5,299	Bankruptcy/FTP	B
Goldman Sachs	Continental Airlines, Inc. 5.00%, 6/15/23	1,000,000	Receive	5.00	6/20/2013	(290,000)	293,340	Bankruptcy/FTP	B
Goldman Sachs	CVS Caremark Corp. 4.88%, 9/15/14	10,000,000	Pay	1.00	9/20/2014	(286,840)	57,879	Bankruptcy/FTP	BBB+
Goldman Sachs	Dow Jones CDX NA High Yield Series II Index	7,830,000	Pay	5.00	12/20/2013	2,158,144	(2,691,009)	Bankruptcy/FTP	CCC
Goldman Sachs	Dow Jones CDX NA Investment Grade Series 8 Index	2,420,000	Receive	0.35	6/20/2012	(34,974)	26,653	Bankruptcy/FTP	BBB
Goldman Sachs	Enbridge Energy, L.P. 4.75%, 6/1/13	10,000,000	Pay	1.00	6/20/2015	56,732	(83,792)	Bankruptcy/FTP	BBB
Goldman Sachs	H.J. Heinz Co. 6.38%, 7/15/28	10,000,000	Pay	1.00	9/20/2014	(320,193)	74,380	Bankruptcy/FTP	BBB
Goldman Sachs	iStar Financial, Inc. 6.00%, 12/15/10	4,000,000	Pay	5.50	3/20/2013	—	131,851	Bankruptcy/FTP	CCC
Goldman Sachs	iStar Financial, Inc. 6.00%, 12/15/10	4,000,000	Pay	5.05	6/20/2013	—	179,245	Bankruptcy/FTP	CCC
Goldman Sachs	iStar Financial, Inc. 5.95%, 10/15/13	5,000,000	Pay	5.00	6/20/2013	700,000	(471,205)	Bankruptcy/FTP	CCC-
Goldman Sachs	iStar Financial, Inc. 5.95%, 10/15/13	5,000,000	Pay	5.00	6/20/2013	725,000	(496,205)	Restructuring/ Bankruptcy/FTP	CCC-
Goldman Sachs	Limited Brands, Inc. 6.13%, 12/1/12	4,150,000	Pay	3.38	6/20/2013	—	(269,096)	Restructuring/ Bankruptcy/FTP	BB+
Goldman Sachs	Limited Brands, Inc. 6.13%, 12/1/12	4,700,000	Pay	2.55	6/20/2013	—	(208,343)	Restructuring/ Bankruptcy/FTP	BB+
Goldman Sachs	Limited Brands, Inc. 6.90%, 7/15/17	15,000,000	Pay	1.00	12/20/2015	679,159	(383,546)	Restructuring/ Bankruptcy/FTP	BB+
Goldman Sachs	Liz Claiborne, Inc. 5.00%, 7/8/13	15,000,000	Pay	5.00	9/20/2014	1,875,000	(1,862,780)	Restructuring/ Bankruptcy/FTP	CCC+
Goldman Sachs	Liz Claiborne, Inc. 5.00%, 7/8/13	15,000,000	Pay	5.00	12/20/2014	1,087,500	(1,015,087)	Restructuring/ Bankruptcy/FTP	CCC+

Notes to Financial Statements are an integral part of this Schedule.

Driehaus Active Income Fund
Schedule of Investments
December 31, 2010

Counterparty	Reference Instrument	Notional Amount ^B	Pay/Receive ^A Fixed Rate	Fixed Rate	Expiration Date	Premium Paid (Received)	Unrealized Appreciation/ (Depreciation)	Credit Event	Rating ^C
Goldman Sachs	Masco Corp. 6.13%, 10/3/16	\$15,000,000	Pay	1.00%	12/20/2015	\$1,047,333	\$ (182,640)	Bankruptcy/FTP	BBB
Goldman Sachs	Newell Rubbermaid, Inc. 5.50%, 4/15/13	30,000,000	Pay	1.00	6/20/2014	620,488	(850,009)	Bankruptcy/FTP	BBB-
Goldman Sachs	RadioShack Corp. 7.38%, 5/15/11	9,000,000	Pay	2.27	9/20/2013	—	(312,147)	Bankruptcy/FTP	BB
Morgan Stanley	Sprint Nextel Corp. 6.00%, 12/1/16	5,000,000	Pay	5.00	12/20/2015	(276,094)	(42,378)	Restructuring/ Bankruptcy/FTP	BB-
Goldman Sachs	Standard Pacific Corp. 7.00%, 8/15/15	4,000,000	Receive	6.70	9/20/2013	—	496,279	Bankruptcy/FTP	B
Goldman Sachs	The Chubb Corp. 6.60%, 8/15/18	10,000,000	Pay	1.00	12/20/2014	(242,813)	134,116	Bankruptcy/FTP	A+
Goldman Sachs	The Chubb Corp. 6.60%, 8/15/18	10,000,000	Pay	1.00	3/20/2015	(257,326)	152,141	Bankruptcy/FTP	A+
Goldman Sachs	TRW Automotive, Inc. 7.25%, 3/15/17	5,000,000	Pay	5.00	3/20/2015	92,579	(737,595)	Bankruptcy/FTP	BB
Goldman Sachs	TRW Automotive, Inc. 7.25%, 3/15/17	3,000,000	Pay	5.00	6/20/2015	(133,100)	(250,910)	Bankruptcy/FTP	BB
Goldman Sachs	Tyson Foods, Inc. 7.35%, 4/1/16	6,000,000	Pay	3.05	9/20/2013	—	(308,759)	Bankruptcy/FTP	BB+
Goldman Sachs	Vornado Realty L.P. 4.75%, 12/1/10	5,500,000	Pay	1.50	6/20/2013	—	(123,330)	Restructuring/ Bankruptcy/FTP	BBB
Total Credit Default Swaps						<u>6,786,852</u>	<u>(11,805,376)</u>		
Total Swap Contracts						<u>\$6,786,852</u>	<u>\$(11,805,376)</u>		

^A If the Fund is paying a fixed rate, the counterparty acts as guarantor of the variable instrument and thus the Fund is a buyer of protection. If the Fund is receiving a fixed rate, the Fund acts as guarantor of the variable instrument and thus is a seller of protection.

^B For contracts to sell protection, the notional amount is equal to the maximum potential amount of the future payments and no recourse has been entered into in association with the contracts.

^C Based on Standard & Poor's corporation credit rating (unaudited).

FTP=Failure to Pay

FUTURES CONTRACTS

Futures Contracts	Number of Contracts Long/(Short)	Expiration Date	Unrealized Appreciation/ (Depreciation)
U.S. 10 Year Treasury Note	(100)	March 2011	\$ (139,249)
U.S. 30 Year Treasury Note	(50)	March 2011	(145,406)
Total Futures Contracts			<u>\$(284,655)</u>

Notes to Financial Statements are an integral part of this Schedule.

Driehaus Select Credit Fund — Portfolio Managers' Letter

Dear Shareholders,

The Driehaus Select Credit Fund, which launched on September 30, 2010, finished the year with a since inception gain of 3.43%¹. The Fund outperformed its benchmark, the Citigroup 3-Month Treasury Bill Index (the "Benchmark"), which returned 0.04% for the same period. The Fund also outperformed the Merrill Lynch U.S. High Yield Master II Index (the "Index"), which returned 3.07% for the same period.

The year began with an economy bringing itself back to life. Mixed economic signals and sovereign debt worries throughout the first half of the year kept many investors divided between bull and bear camps. Volatility spiked in response to the prospect of European sovereign defaults and the U.S. flash crash in May. Unemployment remained chronically high and subdued inflation weighed on a matrix of financial underpinnings. Quantitative Easing 1 ("QE1"), which was put in place to stabilize the banking system in 2008, began to fade and was followed by Quantitative Easing 2 ("QE2"). This new bout of quantitative easing set the tone for an overriding theme in the markets throughout 2010 as the U.S. Federal Reserve set out to achieve higher levels of employment, economic output and inflation.

As the year progressed, strong economic data and plentiful credit paved the way for gains across stocks, bonds and commodities. A record low yield environment courtesy of the U.S. Federal Reserve supported the restructuring of corporate capital structures and provided the backbone for a benign default outlook. Rising global growth prospects trumped Euro-led contagion and U.S. "double dip" fears, which in turn sparked a rally in commodities and stocks. The fixed income markets posted a year of gains, but showed substantial weakness into year end as treasury yields began to rise.

Reflecting back on the year, 2010 was a great year for investing. It is not too often when you will record gains across stocks, bonds, and commodities all in the same year. Unfortunately for the Fund, absolute return strategies generally lagged long-only strategies during the year. Nevertheless, with the HFRI and HFRX Global Hedge Fund Indices up 10.3% and 5.2% for the year, respectively, 2010 can hardly be considered a disaster.

The Fund outperformed the Benchmark in October aided by stronger fundamental macroeconomic data and expectations for QE2, which increased appetite for risk across global markets. In November, markets wrestled with continued worries over the fate of Europe. As a result, most assets dropped in value slightly as equities inched lower and credit spreads widened. Even Treasuries, typically a safe haven during these bouts of fear, traded lower throughout November resulting in underperformance relative to the Benchmark; however, the Fund did outperform its Index. The Fund finished 2010 on a strong note as investors embraced continued signs of a global economic recovery. The response by risky assets was strong in December, as the S&P 500 Index jumped 6.7% during the month. Even more impressive, the Dow Jones UBS Commodity Total Return Index leapt 10.7%. This flight to risk sparked another month of losses in U.S. Treasuries as yields jumped across the curve.

The bulk of our gains were generated from our Capital Structure Arbitrage, Convertible Arbitrage and Directional Long strategies since the Fund's inception. The largest detractor from returns was our Volatility Trading segment. We took our cues from a very transparent U.S. Federal Reserve. Their commentary and actions throughout the year dictated that investors should be buying riskier assets (equities, high yield, commodities and preferred securities) and decrease exposure to those that may be hurt by inflation (U.S. Treasuries, investment grade fixed income and cash).

Correlations between the Fund and the other instruments (S&P 500 Index, oil futures, the U.S. Dollar Index, the 10 Year Treasury, the Barclays Capital U.S. Aggregate Bond Index, the Chicago Board Options Exchange Volatility Index, and the J.P. Morgan High Yield 100 Index) were relatively low. Though there is only one quarter's worth of data, there were no assets that displayed any significant correlation to the Fund. Given the concentrated construction of the Fund and the event driven nature of many of the trades, we do not expect the Fund to be significantly correlated to any of the aforementioned assets over extended periods of time.

Going forward, we expect the markets to continue to support risky assets. We would not be surprised to see spikes in volatility along the way, much like in 2010, as fiscal budgets globally are stretched and inflation signals have clearly emerged around the world. But in the end, we believe high yield and distressed credit should benefit from an increased appetite for risk and strong balance sheets. Given that, we expect the default rate for U.S. high yield next year will fall below 3% and that spreads should continue to tighten towards historical averages. We

expect rates to grind higher given the end of the Fed's Treasury purchase program, concerns over continued budget deficits, and fund flows out of fixed income and into equities.

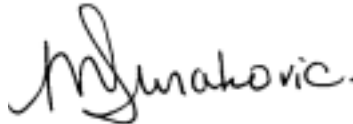
In summary, we believe 2011 presents another great year for investment opportunities and will likely bring a host of mergers and acquisitions, leveraged buyouts and shareholder friendly actions that will lift equity valuations and provide us with greater investment opportunities within a company's capital structure. The Driehaus Select Credit Fund currently has a net long bias, and consequently, we would expect it to perform better in a stable or improving credit environment as compared to a deteriorating one. We believe the Driehaus Select Credit Fund will exhibit annualized volatility of 5-7% over the next year.

We thank you for your continued support and interest in our Fund. We wish you the best in getting off to a positive start in the New Year.

Sincerely,



K.C. Nelson
Portfolio Manager



Mirsada Durakovic
Assistant Portfolio Manager



Elizabeth Cassidy
Assistant Portfolio Manager

¹ During this period, the Fund's return reflects fee waivers and/or reimbursements without which performance would have been lower.

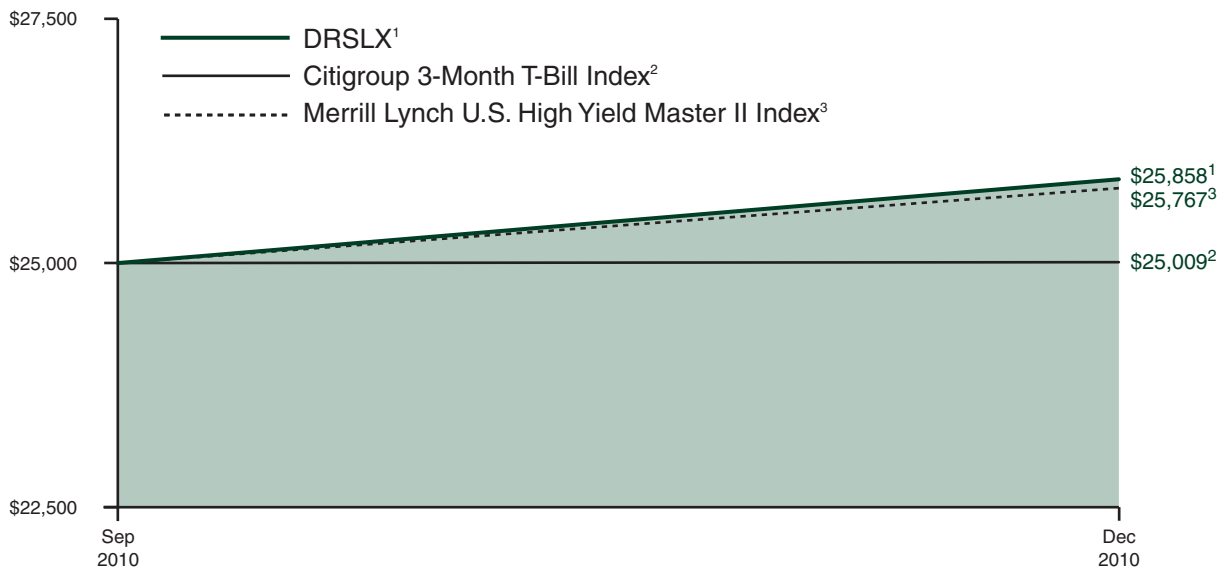
Performance is historical and does not represent future results.

Driehaus Select Credit Fund Performance Overview (unaudited)

The performance summarized below is historical and does not represent future results. Investment returns and principal value vary, and you may have a gain or loss when you sell shares. Performance data presented measures the change in the value of an investment in the Fund, assuming reinvestment of all dividends and capital gains.

The table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The graph compares the results of a \$25,000 investment (minimum investment) in the Fund since September 30, 2010 (the date of the Fund's inception), with all dividends and capital gains reinvested, with the indicated indices (and dividends reinvested) for the same period.

Cumulative Total Return as of 12/31/10	Since Inception (09/30/10 - 12/31/10)
Driehaus Select Credit Fund (DRSLX) ¹	3.43%
Citigroup 3-Month T-Bill Index ²	0.04%
Merrill Lynch U.S. High Yield Master II Index ³	3.07%



¹ The returns for the period reflect fee waivers and/or reimbursements without which performance would have been lower.

² 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 reflect reinvestment of all distributions and changes in market prices.

³ The Merrill Lynch U.S. High-Yield Bond Master II Index is an unmanaged index that tracks the performance of below-investment grade, U.S.-dollar denominated corporate bonds publicly issued in the U.S. domestic market.

Driehaus Select Credit Fund
Schedule of Investments
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	<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>		<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>
BANK LOANS — 11.17%			CONVERTIBLE CORPORATE BONDS — 15.05%		
Advertising — 4.70%			Computers — 3.84%		
Advantage Sales & Marketing LLC			SanDisk Corp.		
9.25%, 5/29/18 ^{2,4}	\$ 500,000	\$ 505,000	1.50%, 8/15/17	\$ 800,000	\$ 907,000
Visant Corp.			Electrical Components & Equipment — 1.87%		
7.00%, 12/22/16 ²	600,000	606,600	Suntech Power Holdings Co., Ltd. (China)		
		<u>1,111,600</u>	3.00%, 3/15/13 ³	500,000	440,625
Commercial Services — 2.17%			Healthcare — Products — 2.45%		
Language Line LLC			Volcano Corp.		
10.50%, 10/26/16 ^{2,4}	500,000	512,500	2.88%, 9/1/15	500,000	580,000
Diversified Financial Services — 4.30%			Retail — 2.17%		
Fifth Third Processing Solutions, Inc.			Regis Corp.		
8.25%, 11/1/17 ²	1,000,000	1,017,500	5.00%, 7/15/14	400,000	513,000
Total BANK LOANS			Telecommunications — 4.72%		
(Cost \$2,580,866)		<u>2,641,600</u>	Ixia		
CORPORATE BONDS — 24.99%			3.00%, 12/15/15 ¹	1,000,000	1,116,250
Banks — 3.63%			Total CONVERTIBLE CORPORATE BONDS		
ABN Amro North American Holding Preferred Capital Repackage Trust I			(Cost \$3,357,435)		<u>3,556,875</u>
6.52%, 12/29/49 ^{1,2}	1,000,000	857,500	PREFERRED STOCKS — 14.69%		
Commercial Services — 4.60%			Auto Manufacturers — 6.27%		
DynCorp International, Inc.			General Motors Co.		
10.38%, 7/1/17 ^{1,4}	500,000	506,250	4.75%, 12/01/13	20,000	1,082,200
Wyle Services Corp.			Motors Liquidation Co.		
10.50%, 4/1/18 ^{1,4}	600,000	582,000	7.25%, 4/15/41	50,000	400,625
		<u>1,088,250</u>			<u>1,482,825</u>
Food — 4.25%			Lodging — 4.73%		
Dean Foods Co.			Las Vegas Sands Corp.		
9.75%, 12/15/18 ^{1,4}	1,000,000	1,005,000	10.00%, 11/15/11 ⁴	10,000	1,117,500
Healthcare — Services — 2.12%			Telecommunications — 3.69%		
Aurora Diagnostics Holdings/Financing, Inc.			Lucent Technologies Capital Trust I		
10.75%, 1/15/18 ^{1,4}	500,000	500,000	7.75%, 3/15/17 ⁴	1,000	872,500
Household Products/Wares — 3.12%			Total PREFERRED STOCKS		
Armored Autogroup, Inc.			(Cost \$3,409,062)		<u>3,472,825</u>
9.25%, 11/1/18 ^{1,4}	750,000	738,750	PURCHASED CALL OPTIONS — 0.45%		
Insurance — 2.80%			Equinix, Inc., Exercise Price: \$75.00, Expiration Date: January, 2011*	150	106,500
MBIA Insurance Corp.			Total PURCHASED CALL OPTIONS (Cost \$80,112)		<u>106,500</u>
14.00%, 1/15/33 ^{1,2,4}	1,250,000	662,500	PURCHASED PUT OPTIONS — 3.66%		
Pharmaceuticals — 2.13%			Great Atlantic and Pacific Tea Co., Exercise Price: \$2.00, Expiration Date: May, 2011* ⁴	4,560	804,384
ConvaTec Healthcare E S.A. (Luxembourg)			MBIA, Inc., Exercise Price: \$5.00, Expiration Date: January, 2012*	1,100	60,500
10.50%, 12/15/18 ^{1,3,4}	500,000	503,750	Total PURCHASED PUT OPTIONS (Cost \$329,822)		<u>864,884</u>
Retail — 2.34%					
Rite Aid Corp.					
6.88%, 8/15/13	600,000	552,000			
Total CORPORATE BONDS					
(Cost \$5,878,996)		<u>5,907,750</u>			

Notes to Financial Statements are an integral part of this Schedule.

Driehaus Select Credit Fund
Schedule of Investments
December 31, 2010

	<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>		<i>Shares, Principal Amount, or Number of Contracts</i>	<i>Value</i>
SHORT-TERM INVESTMENTS — 28.58%			COMMON STOCK — (7.16)%		
UMB Money Market Fiduciary 0.01%	\$6,755,648	<u>\$ 6,755,648</u>			
Total SHORT-TERM INVESTMENTS (Cost \$6,755,648)		<u>6,755,648</u>		Computers — (2.42)% SanDisk Corp.	(11,455) \$ (571,146)
TOTAL INVESTMENTS (COST \$22,391,941)	98.59%	\$23,306,082		Healthcare — Products — (1.17)% Volcano Corp.	(10,120) (276,377)
Other Assets less Liabilities	1.41%	<u>332,960</u>		Retail — (1.27)% Regis Corp.	(18,110) (300,626)
Net Assets	100.00%	<u>\$23,639,042</u>		Telecommunications — (2.30)% Ixia	(32,471) <u>(544,864)</u>
SECURITIES SOLD SHORT				Total COMMON STOCK (Proceeds \$1,668,673)	<u>(1,693,013)</u>
CORPORATE BONDS — (2.64)%				Total INVESTMENT SECURITIES SOLD SHORT (Proceeds \$2,293,263)	(9.80%) <u>\$ (2,318,023)</u>
Advertising — (1.80)% Visant Corp. 10.00%, 10/1/17 ¹			\$ (400,000)	\$ (426,000)	
Telecommunications — (0.84)% Clearwire Communications LLC/Clearwire Finance, Inc. 12.00%, 12/1/15 ¹			(88,000)	(95,260)	
Clearwire Communications LLC/Clearwire Finance, Inc. 12.00%, 12/1/17 ¹			(100,000)	<u>(103,750)</u> <u>(199,010)</u>	
Total CORPORATE BONDS (Proceeds \$624,590)		<u>(625,010)</u>			

* Non-income producing security.
¹ 144A restricted security.
² Variable rate security.
³ Foreign security denominated in U.S. dollars and traded on a U.S. exchange.
⁴ Security valued at fair value as determined in good faith by Driehaus Capital Management LLC, investment adviser to the Fund, in accordance with procedures established by, and under the general supervision of, the Trust's Board of Trustees.

Percentages are stated as a percent of net assets.

Notes to Financial Statements are an integral part of this Schedule.

Driehaus Select Credit Fund
Schedule of Investments
December 31, 2010

Counterparty	Reference Instrument	Notional Amount ^B	Pay/Receive ^A Fixed Rate	Fixed Rate	Expiration Date	Premium Paid (Received)	Unrealized Appreciation/ (Depreciation)	Credit Event	Rating ^C
SWAP CONTRACTS									
Credit Default Swaps									
Goldman Sachs	Masco Corp. 6.13%, 10/3/16	\$500,000	Pay	1.00%	12/20/2015	\$39,569	\$(10,746)	Bankruptcy/FTP	BBB
Total Credit Default Swaps						<u>39,569</u>	<u>(10,746)</u>		
Total Swaps Contracts						<u>\$39,569</u>	<u>\$(10,746)</u>		

^A If the Fund is paying a fixed rate, the counterparty acts as guarantor of the variable instrument and thus the Fund is a buyer of protection. If the Fund is receiving a fixed rate, the Fund acts as guarantor of the variable instrument and thus is a seller of protection.

^B For contracts to sell protection, the notional amount is equal to the maximum potential amount of the future payments and no recourse has been entered into in association with the contracts.

^C Based on Standard & Poor's corporation credit rating (unaudited).

FTP=Failure to Pay

FUTURES CONTRACTS

Futures Contracts	Number of Contracts Long/(Short)	Expiration Date	Unrealized Appreciation/ (Depreciation)
U.S. 10 Year Treasury Note	(10)	March 2011	<u>\$(2,050)</u>

Notes to Financial Statements are an integral part of this Schedule.

Statements of Assets and Liabilities
December 31, 2010

	<i>Driebaus Active Income Fund</i>	<i>Driebaus Select Credit Fund</i>
ASSETS:		
Investments securities, at fair value (cost \$2,059,616,249 and \$21,982,007, respectively)	<u>\$2,193,084,363</u>	<u>\$22,334,698</u>
Purchased options, at fair value (cost \$8,419,076 and \$409,934, respectively)	270,600	971,384
Unrealized appreciation on open swap contracts	1,971,759	—
Premiums paid on open swap contracts	9,930,800	39,569
Collateral held at custodian for the benefit of brokers	559,519,250	2,466,370
Receivable for capital stock sold	8,223,743	—
Receivable for interest and dividends	21,271,715	200,287
Prepaid expenses	59,765	23,551
Due from adviser	—	4,878
TOTAL ASSETS	<u><u>2,794,331,995</u></u>	<u><u>26,040,737</u></u>
LIABILITIES:		
Payable for investment securities sold short, at fair value (proceeds \$533,285,870 and \$2,293,263, respectively)	584,442,185	2,318,023
Unrealized depreciation on open swap contracts	13,777,135	10,746
Premiums received on open swap contracts	3,143,948	—
Payable for capital stock redeemed	2,443,042	—
Payable for investment securities purchased	1,530,000	—
Payable for interest and dividends on securities sold short	3,867,054	12,613
Payable for variation margin	101,562	4,531
Accrued investment advisory fees	1,022,874	—
Accrued shareholder services plan fees	501,674	1,064
Accrued administration and accounting fees	78,344	3,822
Accrued trustees' fees	18,027	3,828
Accrued expenses	343,810	47,068
TOTAL LIABILITIES	<u><u>611,269,655</u></u>	<u><u>2,401,695</u></u>
NET ASSETS	<u><u>\$2,183,062,340</u></u>	<u><u>\$23,639,042</u></u>
SHARES OUTSTANDING (Unlimited shares authorized, no par value)	<u><u>197,530,538</u></u>	<u><u>2,304,284</u></u>
NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE	<u><u>\$ 11.05</u></u>	<u><u>\$ 10.26</u></u>
NET ASSETS CONSISTED OF THE FOLLOWING AT DECEMBER 31, 2010:		
Paid-in capital	\$2,147,550,461	\$23,196,341
Undistributed net investment income	7,994,791	10,579
Undistributed net realized loss on investments, futures and swap contracts	(34,556,204)	(444,463)
Net unrealized appreciation (depreciation) on:		
Investments	133,468,114	352,691
Purchased options	(8,148,476)	561,450
Securities sold short	(51,156,315)	(24,760)
Futures contracts	(284,655)	(2,050)
Swap contracts	(11,805,376)	(10,746)
NET ASSETS	<u><u>\$2,183,062,340</u></u>	<u><u>\$23,639,042</u></u>

Notes to Financial Statements are an integral part of these Statements.

Statements of Operations
For the year ended December 31, 2010

	<i>Driebaus Active Income Fund</i>	<i>Driebaus Select Credit Fund*</i>
INVESTMENT INCOME:		
Interest income	\$ 78,296,978	\$ 167,529
Dividend income	<u>10,938,137</u>	<u>17,188</u>
Total investment income	<u>89,235,115</u>	<u>184,717</u>
Expenses:		
Investment advisory fees	9,750,389	35,381
Shareholder services plan fees	3,343,687	1,064
Custody fees	1,624,844	9,401
Administration and fund accounting fees	818,199	11,343
Federal and state registration fees	151,446	8,191
Legal fees	125,938	5,499
Transfer agent fees and expenses	104,067	12,911
Audit and tax fees	84,789	45,856
Trustees' fees	83,144	3,828
Reports to shareholders	53,579	1,853
Chief compliance officer fees	9,063	1,562
Miscellaneous	<u>117,435</u>	<u>3,965</u>
Total expenses before dividends and interest on short positions, interest expense, reimbursements and waivers	<u>16,266,580</u>	<u>140,854</u>
Interest on short positions	14,743,705	16,057
Dividends on short positions	628,465	828
Interest expense	105,272	770
Fees waived by adviser	—	<u>(62,523)</u>
Net expenses	<u>31,744,022</u>	<u>95,986</u>
Net investment income	<u>57,491,093</u>	<u>88,731</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain (loss) on transactions from:		
Investments	70,758,381	(354,838)
Purchased options	14,600,249	(65,741)
Securities sold short	(18,451,436)	1,586
Written options	(6,578,591)	—
Futures contracts	871,756	49,103
Swap contracts	<u>(5,636,344)</u>	<u>(736)</u>
Total realized gain (loss) on investments	<u>55,564,015</u>	<u>(370,626)</u>
Change in net unrealized appreciation (depreciation) on:		
Investments	24,981,422	352,691
Purchased options	(3,580,613)	561,450
Short positions	(34,611,193)	(24,760)
Written options	(92,376)	—
Futures contracts	(284,655)	(2,050)
Swap contracts	<u>(6,545,853)</u>	<u>(10,746)</u>
Total change in net unrealized appreciation (depreciation) on investments	<u>(20,133,268)</u>	<u>876,585</u>
Net realized and unrealized gain on investments	<u>35,430,747</u>	<u>505,959</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 92,921,840</u>	<u>\$ 594,690</u>

* Fund commenced operations on September 30, 2010.

Notes to Financial Statements are an integral part of these Statements.

Statements of Changes in Net Assets

	<i>Driebaus Active Income Fund</i>			<i>Driebaus Select Credit Fund</i>
	<i>Year Ended December 31, 2010</i>	<i>October 1, 2009* to December 31, 2009</i>	<i>Year Ended September 30, 2009</i>	<i>September 30, 2010** to December 31, 2010</i>
Operations:				
Net investment income	\$ 57,491,093	\$ 8,433,258	\$ 26,884,733	\$ 88,731
Net realized gain (loss) on investments	55,564,015	3,144,737	34,857,664	(370,626)
Net change in unrealized appreciation (depreciation) on investments	<u>(20,133,268)</u>	<u>22,130,705</u>	<u>78,893,647</u>	<u>876,585</u>
Net increase in net assets resulting from operations	<u>92,921,840</u>	<u>33,708,700</u>	<u>140,636,044</u>	<u>594,690</u>
Distributions:				
Net investment income	(50,500,194)	(166,733,165)	(2,850,202)	(122,175)
Net capital gains	(11,667,411)	—	—	(48,949)
Total distributions	<u>(62,167,605)</u>	<u>(166,733,165)</u>	<u>(2,850,202)</u>	<u>(171,124)</u>
Capital share transactions:				
Proceeds from shares sold	1,656,262,651	338,381,727	1,059,804,828	23,097,012
Reinvested distributions	57,722,879	166,549,891	2,850,202	170,921
Cost of shares redeemed	<u>(821,391,429)</u>	<u>(148,375,290)</u>	<u>(651,368,419)</u>	<u>(52,457)</u>
Net increase from capital transactions	<u>892,594,101</u>	<u>356,556,328</u>	<u>411,286,611</u>	<u>23,215,476</u>
Total increase in net assets	<u>923,348,336</u>	<u>223,531,863</u>	<u>549,072,453</u>	<u>23,639,042</u>
NET ASSETS:				
Beginning of period	<u>\$1,259,714,004</u>	<u>\$1,036,182,141</u>	<u>\$ 487,109,688</u>	<u>\$ —</u>
End of period	<u>\$2,183,062,340</u>	<u>\$1,259,714,004</u>	<u>\$1,036,182,141</u>	<u>\$23,639,042</u>
Undistributed net investment income (loss)	<u>\$ 7,994,791</u>	<u>\$ (77,448,914)</u>	<u>\$ 77,706,256</u>	<u>\$ 10,579</u>
Capital share transactions in shares:				
Shares sold	150,264,703	27,798,243	98,672,505	2,292,712
Reinvested distributions	5,238,011	15,407,020	279,158	16,692
Shares redeemed	<u>(74,511,512)</u>	<u>(12,139,102)</u>	<u>(61,398,545)</u>	<u>(5,120)</u>
Net increase	<u>80,991,202</u>	<u>31,066,161</u>	<u>37,553,118</u>	<u>2,304,284</u>

* Fiscal year end changed to December 31.

** Fund commenced operations on September 30, 2010.

Notes to Financial Statements are an integral part of these Statements.

Driehaus Active Income Fund
Financial Highlights

	Year ended December 31, 2010	October 1, 2009** to December 31, 2009	Year ended September 30, 2009	Year ended September 30, 2008	Year ended September 30, 2007	November 8, 2005* to September 30, 2006
Net asset value, beginning of period . . .	\$ 10.81	\$ 12.12	\$ 10.17	\$ 10.25	\$ 10.37	\$ 10.00
INCOME FROM INVESTMENT OPERATIONS:						
Net investment income	0.36	0.09	0.38	0.23	0.40	0.23
Net realized and unrealized gain/(loss) on investments	0.20	0.26	1.61	(0.24)	(0.21)	0.18
Total from investment operations	0.56	0.35	1.99	(0.01)	(0.19)	0.41
LESS DISTRIBUTIONS TO SHAREHOLDERS FROM:						
Net investment income	(0.26)	(1.66)	(0.04)	(0.04)	(0.31)	(0.04)
Tax return of capital	—	—	—	(0.03)	—	—
Net capital gains	(0.06)	—	—	—	—	—
Total distributions	(0.32)	(1.66)	(0.04)	(0.07)	(0.31)	(0.04)
Net asset value, end of period	\$ 11.05	\$ 10.81	\$ 12.12	\$ 10.17	\$ 10.25	\$ 10.37
Total Return	5.18 %	2.87 % ¹	19.66 %	(0.13)%	1.88 %	4.16 % ¹
SUPPLEMENTAL DATA AND RATIOS:						
Net assets, end of year (in 000's) . . .	\$2,183,062	\$1,259,714	\$1,036,182	\$487,110	\$191,949	\$93,604
Ratio of total expenses to average net assets less waivers	1.79 % ³	1.99 % ^{2,5}	1.96 % ⁷	1.45 % ⁹	1.17 % ¹¹	0.95 % ²
Ratio of total expenses to average net assets before waivers	1.79 % ³	1.99 % ^{2,5}	1.96 % ⁷	1.45 % ⁹	1.17 % ¹¹	0.98 % ²
Ratio of net investment income to average net assets, net of waivers	3.24 % ⁴	2.85 % ^{2,6}	3.52 % ⁸	2.54 % ¹⁰	3.86 % ¹²	3.48 % ²
Ratio of net investment income to average net assets, before waivers	3.24 % ⁴	2.85 % ^{2,6}	3.52 % ⁸	2.54 % ¹⁰	3.86 % ¹²	3.45 % ²
Portfolio turnover rate	51 %	7 % ¹	150 %	387 %	495 %	363 % ¹

* Inception

** Fiscal year end change to December 31.

¹ Not annualized.

² Annualized.

³ The ratio of expenses to average net assets includes dividends and interest on short positions and interest expense. Excluding dividends and interest on short positions and interest expense, the ratio of expenses to average net assets was 0.92%.

⁴ The ratio of net investment income to average net assets includes dividends and interest on short positions and interest expense. Excluding dividends and interest on short positions and interest expense, the net investment income to average net assets was 4.12%.

⁵ The ratio of expenses to average net assets includes dividends and interest on short positions and interest expense. Excluding dividends and interest on short positions and interest expense, the ratio of expenses to average net assets was 0.96%.

⁶ The ratio of net investment income to average net assets includes dividends and interest on short positions and interest expense. Excluding dividends and interest on short positions and interest expense, the net investment income to average net assets was 3.88%.

⁷ The ratio of expenses to average net assets includes dividends and interest on short positions and interest expense. Excluding dividends and interest on short positions and interest expense, the ratio of expenses to average net assets was 0.91%.

⁸ The ratio of net investment income to average net assets includes dividends and interest on short positions and interest expense. Excluding dividends and interest on short positions and interest expense, the net investment income to average net assets was 4.56%.

⁹ The ratio of expenses to average net assets includes dividends and interest on short positions and interest expense. Excluding dividends and interest on short positions and interest expense, the ratio of expenses to average net assets was 0.94%.

¹⁰ The ratio of net investment income to average net assets includes dividends and interest on short positions and interest expense. Excluding dividends and interest on short positions and interest expense, the net investment income to average net assets was 3.05%.

¹¹ The ratio of expenses to average net assets includes dividends and interest on short positions and interest expense. Excluding dividends and interest on short positions and interest expense, the ratio of expenses to average net assets was 0.87%.

¹² The ratio of net investment income to average net assets includes dividends and interest on short positions and interest expense. Excluding dividends and interest on short positions and interest expense, the net investment income to average net assets was 4.16%.

Notes to Financial Statements are an integral part of this Schedule.

Driehaus Select Credit Fund
Financial Highlights

	<i>September 30, 2010*</i> <i>to</i> <i>December 31, 2010</i>
Net asset value, beginning of period	<u>\$ 10.00</u>
INCOME FROM INVESTMENT OPERATIONS:	
Net investment income	0.05
Net realized and unrealized gain on investments	<u>0.29</u>
Total from investment operations	<u>0.34</u>
LESS DISTRIBUTIONS TO SHAREHOLDERS FROM:	
Net investment income	(0.06)
Net capital gains	<u>(0.02)</u>
Total distributions	<u>(0.08)</u>
Net asset value, end of period	<u>\$ 10.26</u>
Total Return	3.43 % ¹
SUPPLEMENTAL DATA AND RATIOS:	
Net assets, end of year (in 000's)	\$23,639
Ratio of total expenses to average net assets less waivers	2.15 % ^{2,3}
Ratio of total expenses to average net assets before waivers	3.54 % ^{2,3}
Ratio of net investment income to average net assets, net of waivers	1.98 % ^{2,4}
Ratio of net investment income to average net assets, before waivers	0.59 % ^{2,4}
Portfolio turnover rate	52 % ¹

* Fund commenced operations on September 30, 2010.

¹ Not annualized.

² Annualized.

³ The ratio of expenses to average net assets includes dividends and interest on short positions and interest expense. Excluding dividends and interest on short positions and interest expense, the ratio of expenses to average net assets, less waivers, was 1.75%. Excluding dividends and interest on short positions and interest expense, the ratio of expenses to average net assets before waivers was 3.14%.

⁴ The ratio of net investment income to average net assets includes dividends and interest on short positions and interest expense. Excluding dividends and interest on short positions and interest expense, the net investment income to average net assets less waivers, was 2.38%. Excluding dividends and interest on short positions and interest expense, the ratio of net investment income to average net assets before waivers was 0.99%.

Notes to Financial Statements are an integral part of this Schedule.

Driehaus Mutual Funds

Notes to Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Driehaus Mutual Funds (the “Trust”) is an open-end registered management investment company, organized as a Delaware statutory trust, with eight separate series currently in operation. The Trust was organized under an Agreement and Declaration of Trust dated May 31, 1996, as subsequently amended, and may issue an unlimited number of full and fractional units of beneficial interest (shares) without par value. The Driehaus Active Income Fund (the “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 “Acquired Fund”) pursuant to a plan of reorganization approved by the shareholders of the Acquired Fund. The reorganization was accomplished by a tax-free exchange of Acquired Fund shares for an equal number of shares of the Active Income Fund as of June 1, 2009. The Active Income Fund seeks to provide current income and capital appreciation. The Driehaus Select Credit Fund (the “Select Credit Fund” and, together with the Active Income Fund, the “Funds”) commenced operations on September 30, 2010. The Select Credit Fund seeks to provide positive returns under a variety of market conditions.

Significant Accounting Policies

The presentation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses. Actual results may differ from those estimates.

Securities Valuation

Investments in securities traded on a national securities exchange are valued at the last reported sales price on the day of valuation. Securities traded on the Nasdaq markets are valued at the Nasdaq Official Closing Price (“NOCP”). Exchange-traded securities for which no sale was reported and Nasdaq-traded securities for which there is no NOCP are valued at the mean of the closing bid and ask prices from the exchange the security is primarily traded on. Long-term fixed income securities are valued at the mean of representative quoted bid and asked prices or, if such prices are not available, at prices for securities of comparable maturity, quality and type or as determined by an independent pricing service. Short-term investments with remaining maturities of 60 days or less are stated at amortized cost, which approximates fair value. If amortized cost does not approximate fair value, short-term securities are reported at fair value. Securities for which market quotations are not readily available are valued at their fair value as determined in good faith by or under the direction of the Trust’s Board of Trustees.

Each Fund is subject to the Financial Accounting Standards Board (“FASB”) “Fair Value Measurements” (the “Fair Value Statement”), which clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and provides a three-level hierarchy for fair valuation based upon the inputs to the valuation as of the measurement date. In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06 “Improving Disclosures about Fair Value Measurements.” ASU 2010-06 amends FASB’s “Fair Value Statement” and provides guidance on how investment assets and liabilities are to be valued and disclosed. Specifically, the ASU requires reporting entities to disclose i) the input and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 or Level 3 positions, ii) transfers between all levels (including Level 1 and Level 2) will be required to be disclosed on a gross basis (i.e., transfers out must be disclosed separately from transfers in) as well as the reason(s) for the transfer and iii) purchases, sales, issuances and settlements must be shown on a gross basis in the Level 3 rollforward rather than as one net number. The effective date of the ASU is for interim and annual periods beginning after December 15, 2009; however, the requirement to provide the Level 3 activity for purchases, sales, issuances and settlements on a gross basis will be effective for interim and annual periods beginning after December 15, 2010. During the year ended December 31, 2010, there were no significant transfers between levels for the Active Income Fund. For the period from inception

Driehaus Mutual Funds
Notes to Financial Statements — (Continued)

through December 31, 2010, there were no significant transfers between levels for the Select Credit Fund. The three levels of the fair value hierarchy under the Fair Value Statement are described below:

Level 1 — quoted prices for active markets for identical securities

Level 2 — significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 — significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Active Income Fund's investments as of December 31, 2010:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset-Backed Securities	\$ —	\$ 107,062,273	\$ —	\$ 107,062,273
Bank Loans	—	40,404,498	—	40,404,498
Common Stocks				
Airlines	2,813,714	—	—	2,813,714
Auto Parts & Equipment	12,515,934	—	—	12,515,934
Miscellaneous Manufacturing	851,032	—	—	851,032
Convertible Corporate Bonds	—	397,201,440	—	397,201,440
Convertible Preferred Stocks				
Auto Manufacturers	—	68,455,891	—	68,455,891
Banks	53,286,607	—	—	53,286,607
Telecommunications	—	34,406,165	—	34,406,165
Corporate Bonds	—	979,133,634	—	979,133,634
Demand Deposit	314,769,315	—	—	314,769,315
Preferred Stocks				
Banks	9,260,000	—	—	9,260,000
Diversified Financial Services	538,200	—	—	538,200
Food	—	30,735,469	—	30,735,469
Lodging	—	27,628,847	—	27,628,847
Telecommunications	—	29,574,596	—	29,574,596
Purchased Put Options	270,600	—	—	270,600
U.S. Government And Agency Securities	—	84,446,748	—	84,446,748
Total	<u>\$394,305,402</u>	<u>\$1,799,049,561</u>	<u>\$ —</u>	<u>\$2,193,354,963</u>

Driehaus Mutual Funds
Notes to Financial Statements — (Continued)

Liabilities	Level 1	Level 2	Level 3	Total
Common Stocks				
Airlines	\$ (1,688,243)	\$ —	\$ —	\$ (1,688,243)
Auto Manufacturers	(66,081,192)	—	—	(66,081,192)
Computers	(15,064,950)	—	—	(15,064,950)
Electrical Components & Equipment	(1,948,877)	—	—	(1,948,877)
Entertainment	(17,492,014)	—	—	(17,492,014)
Lodging	(5,586,873)	—	—	(5,586,873)
Real Estate Investment Trusts	(15,646,777)	—	—	(15,646,777)
Retail	(1,207,650)	—	—	(1,207,650)
Semiconductors	(13,219,321)	—	—	(13,219,321)
Telecommunications	(41,202,467)	—	—	(41,202,467)
Corporate Bonds	—	(11,566,165)	—	(11,566,165)
U.S. Government And Agency Securities	—	(393,737,656)	—	(393,737,657)
Total	<u>\$(179,138,364)</u>	<u>\$(405,303,821)</u>	<u>\$ —</u>	<u>\$(584,442,185)</u>
Other Financial Instruments*				
Credit Default Swaps	\$ —	\$ (5,018,524)	—	\$ (5,018,524)
Futures Contracts	(284,655)	—	—	(284,655)
Total Swap and Futures Contracts	<u>\$ (284,655)</u>	<u>\$ (5,018,524)</u>	<u>\$ —</u>	<u>\$ (5,303,179)</u>

* Other financial instruments are swap and futures contracts, which are detailed in the Schedule of Investments.

The following is a summary of the inputs used to value the Select Credit Fund's investments as of December 31, 2010:

Assets	Level 1	Level 2	Level 3	Total
Bank Loans	\$ —	\$ 2,641,600	\$ —	\$ 2,641,600
Convertible Corporate Bonds	—	3,556,875	—	3,556,875
Corporate Bonds	—	5,907,750	—	5,907,750
Demand Deposit	6,755,648	—	—	6,755,648
Preferred Stocks				
Auto Manufacturers	1,082,200	400,625	—	1,482,825
Lodging	—	1,117,500	—	1,117,500
Telecommunications	—	872,500	—	872,500
Purchased Call Options	106,500	—	—	106,500
Purchased Put Options	60,500	804,384	—	864,884
Total	<u>\$ 8,004,848</u>	<u>\$15,301,234</u>	<u>\$ —</u>	<u>\$23,306,082</u>
Liabilities				
Corporate Bonds	\$ —	\$ (625,010)	\$ —	\$ (625,010)
Common Stocks				
Computers	(571,146)	—	—	(571,146)
Healthcare — Products	(276,377)	—	—	(276,377)
Retail	(300,626)	—	—	(300,626)
Telecommunications	(544,864)	—	—	(544,864)
Total	<u>\$(1,693,013)</u>	<u>\$ (625,010)</u>	<u>\$ —</u>	<u>\$(2,318,023)</u>

Driehaus Mutual Funds
Notes to Financial Statements — (Continued)

<u>Other Financial Instruments*</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Credit Default Swaps	\$ —	\$28,823	\$ —	\$28,823
Futures Contracts	(2,050)	—	—	(2,050)
Total Swap and Futures Contracts	<u>\$(2,050)</u>	<u>\$28,823</u>	<u>\$ —</u>	<u>\$26,773</u>

* Other financial instruments are swap and futures contracts, which are detailed in the Schedule of Investments.

Securities Sold Short

The Funds are engaged in selling securities short, which obligates them to replace a borrowed security with the same security at current market value. Each Fund incurs a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. Each fund realizes a gain if the price of the security declines between those dates. Gains are limited to the price at which the Fund sold the security short, while losses are potentially unlimited in size.

The Funds are required to establish a margin account with the broker lending the security sold short. While the short sale is outstanding, the broker retains the proceeds of the short sale and the fund must maintain a deposit with the broker consisting of cash and securities having a value equal to a specified percentage of the value of the securities sold short. Such deposit is included in “Collateral held at custodian for the benefit of brokers” on the Statements of Assets and Liabilities. Each Fund is obligated to pay the counterparty any dividends or interest due on securities sold short. Such dividends and interest are recorded as an expense to the Funds on the Statements of Operations.

Federal Income Taxes

The Funds’ policy is to continue to comply with the requirements of Subchapter M of the Internal Revenue Code that are applicable to regulated investment companies and to distribute substantially all their taxable income to their shareholders. Therefore, no federal income tax provision is required.

FASB’s “Accounting for Uncertainty in Income Taxes” (“Tax Statement”) requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Funds’ tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Management has evaluated the implications of the Tax Statement and all of the uncertain tax positions and has determined that no liability is required to be recorded in the financial statements as of December 31, 2010. The Funds file tax returns with the U.S. Internal Revenue Service and various states. Generally, the tax years ended September 30, 2007, September 30, 2008, September 30, 2009, December 31, 2009 and December 31, 2010 remain subject to examination by taxing authorities.

At December 31, 2010, gross unrealized appreciation and depreciation on investments, based on cost for federal income tax purposes, were as follows:

	<u>Active Income Fund</u>	<u>Select Credit Fund</u>
Cost of Investments	<u>\$2,106,505,281</u>	<u>\$23,387,492</u>
Gross Unrealized Appreciation	\$ 100,882,280	\$ 1,067,948
Gross Unrealized Depreciation	(14,032,598)	(153,807)
Net Unrealized Appreciation/(Depreciation) on Investments	<u>\$ 86,849,682</u>	<u>\$ 914,141</u>

The difference between cost amounts for financial statement and federal income tax purposes is due primarily to timing differences in recognizing certain gains and losses in security transactions.

Driehaus Mutual Funds
Notes to Financial Statements — (Continued)

The tax character of distributions paid were as follows:

Active Income Fund

Distributions paid from:	January 1, 2010 to December 31, 2010	October 1, 2009 to December 31, 2009	October 1, 2008 to September 30, 2009
Ordinary income	<u>\$62,167,605</u>	<u>\$166,733,165</u>	<u>\$2,850,202</u>
Total distributions paid	<u>\$62,167,605</u>	<u>\$166,733,165</u>	<u>\$2,850,202</u>

Select Credit Fund

Distributions paid from:	October 1, 2010 to December 31, 2010
Ordinary income	<u>\$171,124</u>
Total distributions paid	<u>\$171,124</u>

As of December 31, 2010, the components of accumulated earnings (deficit) were as follows:

	Active Income Fund	Select Credit Fund
Undistributed ordinary income	\$ 911,353	\$
Undistributed long-term capital gains	—	—
Accumulated earnings	911,353	
Accumulated capital and other losses	—	—
Unrealized appreciation/(depreciation)	<u>86,849,682</u>	<u>914,141</u>
Total accumulated earnings/(deficit)	<u>\$87,761,035</u>	<u>\$914,141</u>

Distributions to Shareholders

The Funds record distributions to shareholders, which are determined in accordance with income tax regulations, on the ex-dividend date. The Funds may periodically make reclassifications among certain income and capital gains distributions determined in accordance with federal tax regulations, which may differ from GAAP. These reclassifications are due to differing treatment for items such as deferral of wash sales. Prior to January 1, 2010, the Active Income Fund elected treatment as a trader in securities and marked to market its portfolio of securities held at the end of each taxable year for income tax reporting purposes. The Active Income Fund no longer marks to market its portfolio securities at the end of each year.

Foreign Currency Translation

Foreign currency and equity securities not denominated in U.S. dollars are translated into U.S. dollar values based upon the current rates of exchange on the date of the Funds' valuations.

Net realized foreign exchange gains or losses which are reported by the Funds result from currency gains and losses on transaction hedges arising from changes in exchange rates between the trade and settlement dates on forward contract transactions, and the difference between the amounts accrued for dividends, interest, and foreign taxes and the amounts actually received or paid in U.S. dollars for these items. Net unrealized foreign exchange gains and losses result from changes in the U.S. dollar value of assets and liabilities (other than investments in securities), which are denominated in foreign currencies, as a result of changes in exchange rates.

Driehaus Mutual Funds
Notes to Financial Statements — (Continued)

Net realized foreign exchange gains or losses on portfolio hedges result from the use of forward contracts to hedge portfolio positions denominated or quoted in a particular currency in order to reduce or limit exposure in that currency. The Active Income Fund had no portfolio hedges during the period January 1, 2010 through December 31, 2010. The Select Credit Fund had no portfolio hedges during the period from inception through December 31, 2010.

The Funds do not isolate that portion of the results of operations which results from fluctuations in foreign exchange rates on investments. These fluctuations are included with the net realized gain (loss) from security transactions and the net change in unrealized appreciation (depreciation) of investments.

Indemnifications

Under the Trust's organizational documents, the officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust. In addition, in the normal course of business, the Trust enters into contracts that provide general indemnifications to other parties. A Fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against a Fund that have not yet occurred. However, the Funds have not had prior claims or losses pursuant to these contracts and expect the risk of loss to be remote.

Other

The Trust records security transactions based on trade date. Realized gains and losses on sales of securities are calculated using the first-in, first-out method. Dividend income is recognized on the ex-dividend date, and interest income is recognized on an accrual basis. Discounts and premiums on securities purchased are amortized over the lives of the respective securities using the effective yield method. Withholding taxes on foreign dividends have been provided for in accordance with the Trust's understanding of the applicable country's tax rules and rates.

Pursuant to the terms of certain of the senior unsecured bridge loan agreements, the Funds may have unfunded loan commitments, which are callable on demand. Each Fund has available with the custodian, cash and/or liquid securities having an aggregate value at least equal to the amount of unfunded senior bridge loan commitments. At December 31, 2010, Driehaus Active Income Fund had unfunded senior bridge loan commitments of \$100,000,000.

With respect to the senior loans held in each Fund's portfolio, the Funds may: 1) invest in assignments; 2) act as a participant in primary lending syndicates; or 3) invest in participations. If a Fund purchases a participation of a senior loan interest, the Fund would typically enter into a contractual agreement with the lender or other third party selling the participation, rather than directly with the borrower. As such, the Fund not only assumes the credit risk of the borrower, but also that of the selling participant or other persons interpositioned between the Fund and the borrower. At December 31, 2010, there were no such outstanding senior loan participation commitments in the Funds.

B. INVESTMENTS IN DERIVATIVES

Swap Contracts

The Funds are subject to credit risk and interest rate risk exposure in the normal course of pursuing their investment objectives. The Funds may engage in various swap transactions, including forward rate agreements and interest rate, currency, index and total return swaps, primarily to manage duration and yield curve risk, or as alternatives to direct investments. In addition to the swap contracts described above, the Funds may also engage in credit default swaps which involve the exchange of a periodic premium for protection against a defined credit event (such as payment default, refinancing or bankruptcy).

Interest rate swaps are agreements between two parties to exchange cash flows based on a notional principal amount. The Funds may elect to pay a fixed rate and receive a floating rate or receive a floating rate and pay a fixed rate on a notional principal amount. The net interest received or paid on interest rate swap agreements is accrued daily as interest income/expense. Interest rate swaps are marked-to-market daily using fair value estimates

Driehaus Mutual Funds
Notes to Financial Statements — (Continued)

provided by an independent pricing service. Changes in value, including accrued interest, are recorded as unrealized appreciation/(depreciation). Unrealized gains are reported as an asset and unrealized losses are reported as a liability. The change in value of swaps, including accruals of periodic amounts of interest to be paid or received on swaps, is reported as unrealized gains or losses. Gains or losses are realized upon termination of the contracts. The risk of loss under a swap contract may exceed the amount recorded as an asset or a liability.

Under the terms of a credit default swap contract, one party acts as a guarantor receiving a periodic payment that is a fixed percentage applied to a notional amount. In return, the party agrees to purchase the notional amount of the underlying instrument, at par, if a credit event occurs during the term of the contract. The Funds may enter into credit default swaps in which the Funds act as guarantor, and may enter into credit default swaps in which the counterparty acts as guarantor. Premiums paid to or by the Funds are accrued daily and included in realized gain (loss) on swaps. The contracts are marked-to-market daily using fair value estimates provided by an independent pricing service. Changes in value are recorded as unrealized appreciation/(depreciation). Unrealized gains are reported as an asset and unrealized losses are reported as a liability. The change in value of swaps, including accruals of periodic amounts of interest to be paid or received on swaps is reported as unrealized gains or losses. Gains or losses are realized upon termination of the contracts. The risk of loss under a swap contract may exceed the amount recorded as an asset or a liability. The notional amount of a swap contract is the reference amount pursuant to which the counterparties make payments. For swaps in which the referenced obligation is an index, in the event of default of any debt security included in the corresponding index, the Funds pay or receive the percentage of the corresponding index that the defaulted security comprises (1) multiplied by the notional value and (2) multiplied by the ratio of one minus the ratio of the market value of the defaulted debt security to its par value.

Risks associated with swap contracts include changes in the returns of underlying instruments, failure of the counterparties to perform under the contracts' terms and the possible lack of liquidity with respect to the contracts. Credit default swaps can involve greater risks than if an investor had invested in the reference obligation directly since, in addition to general market risks, credit default swaps are subject to counterparty credit risk, leverage risk, hedging risk, correlation risk and liquidity risk. The Funds disclose swap contracts on a gross basis, with no netting of contracts held with the same counterparty. As of December 31, 2010, the Funds had outstanding swap contracts as listed on the Schedules of Investments and the required collateral is included in the Statements of Assets and Liabilities.

Futures Contracts

The Funds may enter into futures contracts to produce incremental earnings, hedge existing positions or protect against market changes in the value of equities or interest rates. Upon entering into a futures contract with a broker, the Funds are required to deposit in a segregated account a specified amount of cash or U.S. government securities. Futures contracts are valued daily and unrealized gains or losses are recorded in a "variation margin" account. Daily, the Funds receive from or pay to the broker a specified amount of cash based upon changes in the variation margin account. When a contract is closed, the Funds recognize a realized gain or loss. Futures contracts have market risks, including the risk that the change in the value of the contract may not correlate with changes in the value of the underlying securities. With futures, there is minimal counterparty credit risk to the Funds since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures contract against default. As of December 31, 2010, the Funds had outstanding futures contracts as listed on the Schedules of Investments and the required collateral is included in the Statements of Assets and Liabilities.

Options Contracts

The Funds may use options contracts to hedge downside risk on their fixed income holdings, produce incremental earnings or protect against market changes in the value of equities or interest rates. The Funds may write covered call and put options on futures, swaps, securities or currencies the Funds own or in which they may invest. Writing put options tends to increase a Fund's exposure to the underlying instrument. Writing call options tends to decrease a Fund's exposure to the underlying instrument. When a Fund writes a call or put option, an

Driehaus Mutual Funds
Notes to Financial Statements — (Continued)

amount equal to the premium received is recorded as a liability and subsequently marked to market to reflect the current value of the option written. These liabilities are reflected as written options outstanding in the Schedules of Investments. Payments received or made, if any, from writing options with premiums to be determined on a future date are reflected as such in the Schedules of Investments. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or closed are added to the proceeds or offset against amounts paid on the underlying future, swap, security or currency transaction to determine the realized gain or loss. A Fund, as a writer of an option, has no control over whether the underlying future, swap, security or currency may be sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the future, swap, security or currency underlying the written option. The risk exists that a Fund may not be able to enter into a closing transaction because of an illiquid market.

The premium amount and the number of option contracts written by the Active Income Fund during the period January 1, 2010 through December 31, 2010, were as follows:

<u>Active Income Fund</u>	<u>Number of Contracts</u>	<u>Premium Amount</u>
Options outstanding at December 31, 2009	402	\$ 111,471
Options written	3,203	2,828,548
Options closed	(3,605)	(2,940,019)
Options expired	—	—
Options outstanding at December 31, 2010	<u>—</u>	<u>\$ —</u>

For the period from inception through December 31, 2010, the Select Credit Fund had no written option contracts.

The Funds may also purchase put and call options. Purchasing call options tends to increase a Fund's exposure to the underlying instrument. Purchasing put options tends to decrease a Fund's exposure to the underlying instrument. A Fund pays a premium which is included in its Schedule of Investments as an investment and subsequently marked-to-market to reflect the current value of the option. Premiums paid for purchasing options which expire are treated as realized losses. The risk associated with purchasing put and call options is limited to the premium paid. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying future, swap, security or currency transaction to determine the realized gain or loss. When entering into purchased option contracts, a Fund bears the risk of securities prices moving unexpectedly, in which case, a Fund may not achieve the anticipated benefits of the purchased option contracts; however, the risk of loss is limited to the premium paid. As of December 31, 2010, the Funds had outstanding options as listed on the Schedules of Investments and the required collateral is included in the Statements of Assets and Liabilities.

Derivative Investment Holdings Categorized by Risk Exposure

Each Fund is subject to FASB's "Disclosures about Derivative Instruments and Hedging Activities" (the "Derivatives Statement"). The Derivatives Statement amends and expands disclosures about derivative instruments and hedging activities. The Derivatives Statement is intended to improve financial reporting about derivative instruments by requiring enhanced disclosures to enable investors to better understand how and why the Fund uses derivative instruments, how these derivative instruments are accounted for and their effects on the Funds' financial position and results of operations.

Driehaus Mutual Funds
Notes to Financial Statements — (Continued)

The following table sets forth the fair value and the location in the Statement of Assets and Liabilities of the Active Income Fund's derivative contracts by primary risk exposure as of December 31, 2010:

<u>Risk exposure category</u>	<u>Asset derivatives</u>		<u>Liability derivatives</u>	
	<u>Statement of Assets and Liabilities location</u>	<u>Fair value</u>	<u>Statement of Assets and Liabilities location</u>	<u>Fair value</u>
Credit contracts	Unrealized appreciation on open swap contracts	\$1,971,759	Unrealized depreciation on open swap contracts	\$13,777,135
Equity contracts	Purchased options, at fair value	270,600	N/A	N/A
Futures contracts*	N/A	N/A	N/A	284,655
Total		\$2,242,359		\$14,061,790

* Includes cumulative appreciation/depreciation of futures contracts as shown in the Schedule of Investments.

Only current day's variation margin is reported in the Statement of Assets and Liabilities.

The following table sets forth the fair value and the location in the Statement of Assets and Liabilities of the Select Credit Fund's derivative contracts by primary risk exposure as of December 31, 2010:

<u>Risk exposure category</u>	<u>Asset derivatives</u>		<u>Liability derivatives</u>	
	<u>Statement of Assets and Liabilities location</u>	<u>Fair value</u>	<u>Statement of Assets and Liabilities location</u>	<u>Fair value</u>
Credit contracts	Unrealized appreciation on open swap contracts	N/A	Unrealized depreciation on open swap contracts	\$10,746
Equity contracts	Purchased options, at fair value	\$971,384	N/A	N/A
Futures contracts*	N/A	N/A	N/A	2,050
Total		\$ 971,384		\$12,796

* Includes cumulative appreciation/depreciation of futures contracts as shown in the Schedule of Investments.

Only current day's variation margin is reported in the Statement of Assets and Liabilities.

The following table sets forth the Active Income Fund's realized gains/losses by primary risk exposure and by type of derivative contract for the period January 1, 2010 through December 31, 2010:

<u>Risk exposure category</u>	<u>Amount of realized gain/(loss) on derivatives</u>				
	<u>Purchased Options</u>	<u>Written Options</u>	<u>Futures Contracts</u>	<u>Swap Contracts</u>	<u>Total</u>
Credit contracts	\$ —	\$ —	\$871,756	\$(4,239,992)	\$(3,368,236)
Equity contracts	14,600,249	(6,578,591)	—	—	8,021,658
Interest rate contracts	—	—	—	(1,396,352)	(1,396,352)
Total	\$14,600,249	\$(6,578,591)	\$871,756	\$(5,636,344)	\$ 3,257,070

The following table sets forth the Select Credit Fund's realized gains/losses by primary risk exposure and by type of derivative contract for the period from inception through December 31, 2010:

<u>Risk exposure category</u>	<u>Amount of realized gain/(loss) on derivatives</u>				
	<u>Purchased Options</u>	<u>Written Options</u>	<u>Futures Contracts</u>	<u>Swap Contracts</u>	<u>Total</u>
Credit contracts	\$ —	\$—	\$49,103	\$(736)	\$ 48,367
Equity contracts	(65,741)	—	—	—	(65,741)
Interest rate contracts	—	—	—	—	—
Total	\$(65,741)	\$—	\$49,103	\$(736)	\$(17,374)

Driehaus Mutual Funds
Notes to Financial Statements — (Continued)

The following table sets forth the Active Income Fund's change in unrealized appreciation (depreciation) by primary risk exposure and by type of derivative contract for the period January 1, 2010 through December 31, 2010:

<u>Risk exposure category</u>	<u>Change in unrealized appreciation (depreciation) on derivatives</u>				
	<u>Purchased Options</u>	<u>Written Options</u>	<u>Futures Contracts</u>	<u>Swap Contracts</u>	<u>Total</u>
Credit contracts	\$ —	\$ —	\$(284,655)	\$(7,695,875)	\$ (7,980,530)
Equity contracts	(3,580,613)	(92,376)	—	—	(3,672,989)
Interest rate contracts	—	—	—	1,150,022	1,150,022
Total	<u>\$(3,580,613)</u>	<u>\$(92,376)</u>	<u>\$(284,655)</u>	<u>\$(6,545,853)</u>	<u>\$(10,503,497)</u>

The gross notional amount of swap contracts and the number of option contracts for the Active Income Fund as of December 31, 2010 is included on the Schedule of Investments. The quarterly average gross notional amount of the swap contracts for the Active Income Fund was \$231,750,000 for the period January 1, 2010 through December 31, 2010. The quarterly average number of purchased futures contracts for the Active Income Fund was 0 for the period January 1, 2010 through December 31, 2010. The quarterly average number of purchased option contracts for the Active Income Fund was 119,459 for the period January 1, 2010 through December 31, 2010. The fair value of such contracts at December 31, 2010 is set forth in the table above.

The following table sets forth the Select Credit Fund's change in unrealized appreciation (depreciation) by primary risk exposure and by type of derivative contract for the period from inception through December 31, 2010:

<u>Risk exposure category</u>	<u>Change in unrealized appreciation (depreciation) on derivatives</u>				
	<u>Purchased Options</u>	<u>Written Options</u>	<u>Futures Contracts</u>	<u>Swap Contracts</u>	<u>Total</u>
Credit contracts	\$ —	\$ —	\$(2,050)	\$(10,746)	\$(12,796)
Equity contracts	561,450	—	—	—	561,450
Interest rate contracts	—	—	—	—	—
Total	<u>\$561,450</u>	<u>\$ —</u>	<u>\$(2,050)</u>	<u>\$(10,746)</u>	<u>\$ 548,654</u>

The gross notional amount of swap contracts and the number of option contracts for the Select Credit Fund as of December 31, 2010 is included on the Schedule of Investments. The quarterly average gross notional amount of the swap contracts for the Select Credit Fund was \$500,000 for the period September 30, 2010 through December 31, 2010. The quarterly average number of purchased futures contracts for the Select Credit Fund was 0 for the period September 30, 2010 through December 31, 2010. The quarterly average number of purchased option contracts for the Select Credit Fund was 5,810 for the period September 30, 2010 through December 31, 2010. The fair value of such contracts at December 31, 2010 is set forth in the table above.

C. INVESTMENT ADVISORY FEES, TRANSACTIONS WITH AFFILIATES, AND ADMINISTRATIVE FEES

Richard H. Driehaus, the President of the Trust, is also the Chairman of the Board of Driehaus Capital Management LLC ("DCM" or the "Adviser"), a registered investment adviser, and of Driehaus Securities LLC ("DS LLC" or the "Distributor"), a registered broker-dealer.

DCM serves as the Funds' investment adviser. In return for its services to the Funds, the Funds pay the Adviser an annual management fee on a monthly basis of 0.55% and 0.80% of average net assets, respectively, for the Active Income Fund and Select Credit Fund.

DCM has entered into a written agreement to cap the Select Credit Fund's annual ordinary operating expenses (other than interest, taxes, brokerage commissions, dividends and interest on short sales, other investment-related expenses and extraordinary expenses) at 1.75% of average daily net assets until at least September 30, 2013. For this same time period, DCM is entitled to reimbursement for previously waived fees and reimbursed expenses to the extent that the Select Credit Fund's expense ratio remains below the operating expense cap. For the period

Driehaus Mutual Funds
Notes to Financial Statements — (Continued)

September 30, 2010 through December 31, 2010, DCM waived fees and reimbursed expenses totaling \$62,523 in the Select Credit Fund pursuant to this agreement.

The Active Income Fund accrued \$9,750,389 for investment advisory fees during the period January 1, 2010 through December 31, 2010, of which \$1,022,874 was payable to DCM at December 31, 2010. The Select Credit Fund accrued \$35,381 for investment advisory fees during the period September 30, 2010 through December 31, 2010, and \$4,878 was due to the Select Credit Fund from DCM at December 31, 2010 under the expense agreement described above.

DS LLC is the Funds' distributor. DS LLC does not earn any compensation from the Funds for these services. DS LLC has entered into a Fee Reimbursement Agreement with the Funds. Under this agreement, the Funds reimburse DS LLC for certain fees paid by DS LLC to intermediaries who provide shareholder administrative and/or sub-transfer agency services to the Fund. Currently, the annual amount to be reimbursed will not exceed 0.25% of the average daily net assets held by such intermediaries. Prior to June 1, 2010 the annual amount to be reimbursed did not exceed 0.15%. For the period January 1, 2010 through December 31, 2010, the Active Income Fund owes \$122,883 in reimbursements to DS LLC under this agreement, which is included in accrued shareholder services plan fees on the Statement of Assets and Liabilities. For the period September 30, 2010 through December 31, 2010, the Select Credit Fund owes \$1,064 in reimbursements to DS LLC under this agreement, which is included in accrued shareholder services plan fees on the Statement of Assets and Liabilities.

Certain officers of the Trust are also officers of DCM and DS LLC. The Funds pay a portion of the Chief Compliance Officer's salary and bonus. No other officers received compensation from the Funds.

Affiliates of DCM hold approximately 72% of the Select Credit Fund's outstanding shares as of December 31, 2010.

UMB Fund Services, Inc. ("UMBFS"), an affiliate of UMB Financial Corporation, serves as the Funds' administrative and accounting agent. In compensation for these services, UMBFS receives the larger of a monthly minimum fee or a monthly fee based upon each Fund's average net assets. UMBFS also acts as the transfer agent and dividend disbursing agent for the Funds. For these services, UMBFS receives a monthly fee based in part on shareholder processing activity during the month.

D. INVESTMENT TRANSACTIONS

Purchases and sales of investment securities (excluding options, futures, short-term securities and U.S. government obligations) for the Active Income Fund for the year ended December 31, 2010, were as follows:

Purchases	\$1,433,741,528
Sales	\$ 730,038,681

The aggregate purchases and sales of U.S. government obligations for the Active Income Fund for the year ended December 31, 2010, were as follows:

Purchases	\$ —
Sales	\$208,828

Purchases and sales of investment securities (excluding options, futures, short-term securities and U.S. government obligations) for the Select Credit Fund for the period September 30, 2010 through December 31, 2010, were as follows:

Purchases	\$21,396,691
Sales	\$ 5,886,562

Driehaus Mutual Funds
Notes to Financial Statements — (Continued)

The aggregate purchases and sales of U.S. government obligations for the Select Credit Fund for the period September 30, 2010 through December 31, 2010, were as follows:

Purchases	\$	—
Sales	\$	—

E. RESTRICTED SECURITIES

Restricted securities are securities that are not registered for sale under the Securities Act of 1933 or applicable foreign law and that may be re-sold only in transactions exempt from applicable registration. Restricted securities include Rule 144A securities which may be sold normally to qualified institutional buyers. At December 31, 2010, the Funds held restricted securities as denoted on the Schedule of Investments.

F. PRINCIPAL SHAREHOLDER

As of December 31, 2010, the Active Income Fund had a shareholder that holds 54% of the outstanding shares of the Fund. A significant redemption by this shareholder could affect the Fund's liquidity. The shareholder is a registered investment adviser providing advisory services to a variety of individual and institutional clients. The Active Income Fund is offered as one of several investment choices for these clients. Clients are permitted to transfer some or all of their account balances into or out of the Active Income Fund at any time.

In addition, the Active Income Fund has a Shareholder Servicing Agreement (the "Agreement") in place with this shareholder. Under the terms of this Agreement, the Active Income Fund makes payments for services provided on behalf of the Active Income Fund. Such services may include, but shall not be limited to: transfer agent and sub-transfer agent services; aggregating and processing purchase and redemption orders; providing periodic statements; receiving and transmitting funds; processing dividend payments; providing sub-accounting services; forwarding shareholder communications; receiving, tabulating and transmitting proxies; responding to inquiries and performing such other related services as the Active Income Fund may request. The Shareholder Services Plan allows for annual payments not to exceed 0.25% of average daily net assets; however, the Board of Trustees of the Trust limited payment to 0.15% of average daily net assets for this Agreement for the period June 1, 2009 through May 31, 2010. For the period January 1, 2010 through December 31, 2010 the Active Income Fund had expenses of \$2,556,839 under the terms of this Agreement with this shareholder.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of the Driehaus Active Income Fund and Driehaus Select Credit Fund:

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of Driehaus Active Income Fund and Driehaus Select Credit Fund, (collectively, the "Funds"), comprising the Driehaus Mutual Funds, as of December 31, 2010, and the related statements of operations for the period then ended, the statements of changes in net assets and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Funds' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2010, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Driehaus Active Income Fund and Driehaus Select Credit Fund at December 31, 2010, the results of their operations for the period then ended, the changes in their net assets and their financial highlights for the periods indicated therein in conformity with US generally accepted accounting principles.

Ernst + Young LLP

Chicago, Illinois
February 25, 2011

Interested and Independent Trustees of the Trust

The following table sets forth certain information with respect to the Trustees of the Trust:

Name, Address and Year of Birth	Position(s) Held with the Trust	Term of Office and Length of Time Served**	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Trustee
Interested Trustee:*				
Richard H. Driehaus 25 East Erie Street Chicago, IL 60611 YOB: 1942	Trustee and President	Since 1996	Chairman of the Board of the Adviser, the Distributor and Driehaus Capital Management (USVI) LLC (“USVT”); Chief Investment Officer and Portfolio Manager of the Adviser.	Driehaus Capital Holdings LLC; Driehaus Enterprise Management, Inc.; The Richard H. Driehaus Foundation; and The Richard H. Driehaus Museum
Independent Trustees:				
A.R. Umans c/o Driehaus Capital Management LLC 25 East Erie Street Chicago, IL 60611 YOB: 1927	Trustee and Chairman	Since 1996 Since 2005	Chairman of the Board, Commerce National Group (investment company) since 2005; Chairman of the Board and Chief Executive Officer, RHC/Spacemaster Corporation (manufacturing corporation) prior thereto.	Sinai Health System; Schwab Rehabilitation Hospital
Francis J. Harmon c/o Driehaus Capital Management LLC 25 East Erie Street Chicago, IL 60611 YOB: 1942	Trustee	Since 1998	Relationship Manager, Great Lakes Advisors, Inc. since February 2008; Principal Account Executive — Labor Affairs, Blue Cross and Blue Shield of Illinois prior thereto.	None
Daniel F. Zemanek c/o Driehaus Capital Management LLC 25 East Erie Street Chicago, IL 60611 YOB: 1942	Trustee	Since 1996	President of Ludan, Inc. (real estate services specializing in senior housing) since April 2008; Senior Vice President of Sunrise Development, Inc. (senior living) from 2003-2007; Consultant, real estate development prior thereto.	None

* Mr. Driehaus is an “interested person” of the Trust, the Adviser and the Distributor, as defined in the 1940 Act, because he is an officer of the Adviser and the Distributor. In addition, Mr. Driehaus has a controlling interest in the Adviser and the Distributor.

** Each Trustee will serve as a Trustee of the Trust until (i) termination of the Trust, or (ii) the Trustee’s retirement, resignation, or death, or (iii) as otherwise specified in the Trust’s governing documents.

Officers of the Trust

The following table sets forth certain information with respect to the officers of the Trust.

<u>Name, Address and Year of Birth</u>	<u>Position(s) Held with the Trust</u>	<u>Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>
Robert H. Gordon 25 East Erie Street Chicago, IL 60611 YOB: 1961	Senior Vice President	Since 2006	President and Chief Executive Officer of Adviser, Distributor and USVI since October 2006; Advisor to Adviser and Distributor from April to September 2006; Chief Operating Officer, Aris Capital Management from 2003-2006.
Michelle L. Cahoon 25 East Erie Street Chicago, IL 60611 YOB: 1966	Vice President and Treasurer	Since 2006 Since 2002	Vice President, Treasurer and Chief Financial Officer of the Adviser, Distributor and USVI since 2004.
Janet L. McWilliams 25 East Erie Street Chicago, IL 60611 YOB: 1970	Chief Compliance Officer and Assistant Vice President	Since 2006 Since 2007	Chief Compliance Officer of the Adviser and Distributor since 2006; Senior Attorney with the Adviser since 2003; Attorney with the Adviser since 2000.
Diane J. Drake 301 Bellevue Parkway Wilmington, DE 19809 YOB: 1967	Secretary	Since 2006	Managing Director and Senior Counsel, BNY Mellon Investment Servicing (US) Inc. (formerly, PNC Global Investment Servicing (U.S.) Inc. ("PNC"), a financial services company) since 2008; Vice President and Associate Counsel, PNC from 2003-2007.
Michael P. Kailus 25 East Erie Street Chicago, IL 60611 YOB: 1971	Assistant Secretary	Since 2010	Assistant Secretary of the Adviser, Distributor and USVI since 2010; Associate General Counsel of Superfund Group (financial services company) from 2005-2010.
William H. Wallace, III 301 Bellevue Parkway Wilmington, DE 19809 YOB: 1969	Assistant Secretary	Since 2008	Vice President and Manager, BNY Mellon Investment Servicing (US) Inc. (formerly, PNC, a financial services company) since 2008; Sr. Regulatory Administrator, PNC from 2007-2008; Regulatory Administrator, PNC from 2004-2007.

The Statement of Additional Information for Driehaus Mutual Funds contains more detail about the Trust's Trustees and officers and is available upon request, without charge. For further information, please call 1-877-779-0079.

Fund Expense Examples

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, including sales charges; redemption fees; and exchange fees and (2) ongoing costs, including management fees; distribution (12b-1) fees; and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in each Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire six months ending December 31, 2010.

Actual Expenses

The first line of the tables below (“Actual”) provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expense that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the tables below (“Hypothetical”) provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. You may use this information to compare the ongoing costs of investing in the Funds versus other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges, redemption fees or exchange fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Driehaus Active Income Fund

	Beginning Account Value July 1, 2010	Ending Account Value December 31, 2010	Expenses Paid During Six Months Ending December 31, 2010*
Actual	\$1,000	\$1,049.80	\$9.36
Hypothetical (5% return before expenses)	\$1,000	\$1,016.08	\$9.20

Driehaus Select Credit Fund

	Beginning Account Value September 30, 2010	Ending Account Value December 31, 2010	Expenses Paid During the period September 30, 2010 through December 31, 2010**
Actual	\$1,000	\$1,034.30	\$5.56
Hypothetical (5% return before expenses)	\$1,000	\$1,007.28	\$5.48

* Expenses are equal to the Fund’s annualized expense ratios for the six-month period in the table below multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year (184), then divided by 365 to reflect the half-year period.

** Expenses are equal to the Driehaus Select Credit Fund’s annualized expense ratio for the period September 30, 2010 (commencement of operations) through December 31, 2010 in the table below multiplied by the average account value over the period, multiplied by the number of days in the period (93), then divided by 365 to reflect the period since commencement of operations.

Driehaus Active Income Fund	1.81%
Driehaus Select Credit Fund	2.14%

Other Information

PROXY VOTING POLICIES AND PROCEDURES AND PROXY VOTING RECORD

A description of the Funds' policies and procedures with respect to the voting of proxies relating to the Funds' portfolio securities is available without charge, upon request, by calling 1-877-779-0079. This information is also available on the Funds' website at <http://www.driehaus.com>.

Information regarding how the Driehaus Active Income Fund voted proxies related to portfolio securities during the 12-month period ended June 30, 2010 is available without charge, upon request, by calling 1-877-779-0079. This information is also available on the Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>.

HOW TO OBTAIN QUARTERLY PORTFOLIO HOLDINGS

Each Fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Form N-Q is available electronically on the SEC's website at <http://www.sec.gov>; hard copies may be reviewed and copied at the SEC's Public Reference Room in Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330. Each Fund's complete schedule of portfolio holdings is also available on the Funds' website at <http://www.driehaus.com>.

Board Considerations in Connection with the Annual Review of the Investment Advisory Agreement for Driehaus Active Income Fund

The Board of Trustees of the Driehaus Mutual Funds (the “Trust”) approved the renewal of the investment advisory agreement (the “Agreement”) with Driehaus Capital Management LLC (the “Adviser”) for the Driehaus Active Income Fund (“DAIF” or the “Fund”) in September 2010. As part of its review process, the Board requested and evaluated all information it deemed reasonably necessary to evaluate the Agreement. The Board reviewed comprehensive materials received from the Adviser and from independent legal counsel. The Independent Trustees, represented by independent legal counsel, met independent of Fund management to consider renewal of the Agreement. After their review of the information received, the Independent Trustees presented their findings and their recommendation to renew the Agreement to the full Board. In connection with the contract review process, the Board considered the factors discussed below, among others.

Nature, Quality and Extent of Services. The Board considered the nature, extent and quality of services provided under the Agreement, including portfolio management services and administrative services. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of the Adviser to attract and retain high-quality personnel, and the organizational depth of the Adviser. The Board also considered the Trust’s compliance with legal and regulatory requirements, as well as the Adviser’s handling of portfolio brokerage, and noted the Adviser’s process for evaluating best execution. The Board considered the Adviser’s risk management strategies and the process developed by the Adviser for analyzing, reviewing and assessing risk exposure for the Fund. In addition, the Board reviewed DAIF’s performance, including that of its predecessor fund (which was reorganized into DAIF on June 1, 2009), given that a core portion of the portfolio management team managed the predecessor fund from 2007 to 2009. The Board noted the limitations to comparing the performance of DAIF to a peer group of funds compiled from Morningstar, Inc. and Lipper Inc., independent providers of mutual fund data, given the investment strategies of the Fund. The Board compared DAIF’s performance to peer groups of funds and to a benchmark index for the year-to-date and 1- and 3-year periods ended June 30, 2010, and considered the Adviser’s explanation for the Fund’s 1-year underperformance compared to its peers as being largely due to its zero duration, which will result in relative underperformance in falling interest rate environments. The Board also considered whether investment results were consistent with the Fund’s investment objective and policies. The Board concluded that performance was satisfactory.

On the basis of this evaluation and its ongoing review of investment results, the Board concluded that the nature, quality and extent of services provided by the Adviser continue to be satisfactory.

Fees. The Board considered DAIF’s advisory fee, operating expenses and total expense ratio, and compared the advisory fee and expense ratio to a peer group based on data compiled from Lipper Inc. as of the fiscal year end of each fund in the peer group. The Board noted that DAIF’s annual advisory fee rate of .55% is in the 32nd percentile of this peer group (1st percentile being the highest fee). The Board also considered that the Adviser had agreed to reimburse DAIF’s expenses (excluding dividends and interest on short sales) in excess of 1.00% of net assets for its first year of operations, which ran from June 1, 2009 until May 31, 2010. The Board noted that the Adviser does not provide services to any other account with similar objectives and policies as DAIF at a lower advisory fee. In considering the reasonableness of the advisory fee, the Board took into account the substantial human and technological resources devoted to investing for the Fund and the limited capacity of the investment style. The Board also noted that the Fund does not have a Rule 12b-1 fee and that the Adviser’s affiliate, Driehaus Securities LLC (“DS LLC”), serves as distributor of the Fund without compensation and that DS LLC may provide compensation to intermediaries for distribution of Fund shares and for shareholder services, and that DS LLC is reimbursed by DAIF under a Shareholder Services Plan for certain amounts paid for shareholder services covered under the plan. The Board also considered that for the six months ended June 30, 2010, DAIF’s expense ratio was in the 40th percentile.

On the basis of the information provided, the Board concluded that the advisory fee was reasonable and appropriate in light of the nature and quality of services provided by the Adviser.

Profitability. The Board reviewed information regarding the revenues received by the Adviser under the Agreement and discussed the methodology in allocating its costs to the management of DAIF. The Board considered the estimated costs to the Adviser of managing DAIF. The Board concluded that, taking into account the projected profitability for DAIF, the advisory fee appeared to be reasonable.

Economies of Scale. In considering the reasonableness of the advisory fee, the Board considered whether there are economies of scale with respect to the management of DAIF and whether DAIF benefits from any economies of scale. Given the size of the Fund and the capacity constraints of the investment style, the Board concluded that the advisory fee rate under the Agreement is reasonable and reflects an appropriate sharing of any such economies of scale.

Other Benefits to the Adviser and its Affiliates. The Board also considered the character and amount of other incidental benefits received by the Adviser and its affiliates. The Board noted that the Adviser's affiliated broker-dealer does not execute any portfolio transactions for DAIF, and that payments to DS LLC under a Shareholder Services Plan are in reimbursement of payments made to intermediaries for shareholder services. The Board noted that there are no benefits to the Adviser related to soft dollar allocations. The Board concluded that the advisory fee was reasonable in light of any fall-out benefits.

Based on all of the information considered and the conclusions reached, the Board determined that the terms of the Agreement for DAIF were fair and reasonable and that the continuation of the Agreement is in the best interests of DAIF. No single factor was determinative in the Board's analysis.

Board Considerations in Connection with the Approval of the Investment Advisory Agreement for Driehaus Select Credit Fund

The Board of Trustees of the Driehaus Mutual Funds (the “Trust”) approved the investment advisory agreement (the “Agreement”) with Driehaus Capital Management LLC (the “Adviser”) for the Driehaus Select Credit Fund (the “New Fund”) on September 10, 2010. As part of its review process, the Board requested and evaluated all information it deemed reasonably necessary to evaluate the Agreement. The Board reviewed comprehensive materials received from the Adviser and from independent legal counsel. After their review of the information received, the Independent Trustees presented their findings and their recommendation to approve the Agreement to the full Board. In connection with the review, the Board considered the factors discussed below, among others.

Nature, Quality and Extent of Services. The Board considered the nature, extent and quality of services to be provided under the Agreement, including portfolio management services and administrative services. The Board considered the experience and skills of senior management and investment personnel, the resources made available to such personnel, the ability of the Adviser to attract and retain high-quality personnel, and the organizational depth of the Adviser. The Board also considered the Trust’s compliance with legal and regulatory requirements as well as the Adviser’s risk management processes developed for analyzing, reviewing and assessing risk exposure for the New Fund. In particular, the Board considered the management team’s experience in managing absolute return products, including managing another series of the Trust, the Driehaus Active Income Fund (the “Active Income Fund”).

On the basis of this evaluation and the Board’s experience with the Adviser in managing other series of the Trust, the Board concluded that the nature, quality and extent of services to be provided by the Adviser are expected to be satisfactory.

Fees. The Board considered the New Fund’s proposed advisory fee, operating expenses and estimated total expense ratio, and compared the advisory fee and expense ratio to fees and expense ratios of a peer group of general bond funds based on data compiled from Lipper Inc. (“Lipper”) as of the fiscal year end of each fund in the peer group. The Board noted that the New Fund’s proposed advisory fee would be in the 3rd percentile of its anticipated Lipper peer group (1st percentile being the highest fee), but noted that the New Fund employs different strategies than other funds in the peer group, making it difficult to compare fees. Given the unique nature of the New Fund’s absolute return credit strategy, in addition to the Lipper data, the Board also compared the New Fund’s proposed advisory fee and estimated total expense ratio to a peer universe of absolute return funds compiled by the Adviser from the Morningstar Principia (“Morningstar”) database as of June 30, 2010. The Board noted that the New Fund’s proposed advisory fee would be in the 59th percentile of its Morningstar-based peer universe. The Board also considered that the Adviser will reimburse the New Fund for expenses in excess of 1.75% of net assets (excluding dividends and interest on short sales) for a three-year period. In addition, the Board considered the New Fund’s proposed advisory fee rate as compared to fees charged by the Adviser to the Active Income Fund and to another absolute return credit product managed by the Adviser and noted that although the Active Income Fund has a lower advisory fee, that fee is a legacy fee from a predecessor fund that pursued a less complex investment style which was carried over when the predecessor fund was reorganized into the Active Income Fund. Furthermore, the advisory fee rate for the Adviser’s other absolute credit product is higher than the New Fund’s proposed advisory fee. The Board also considered the estimated expense ratio of the New Fund after reaching the first year projected asset level, which would rank the Fund in the 6th percentile of its Lipper peer group and in the 38th percentile of the Morningstar-based peer universe.

On the basis of the information provided, the Board concluded that the proposed advisory fee was reasonable and appropriate in light of the nature and quality of services expected to be provided by the Adviser.

Profitability and Economies of Scale. In considering the reasonableness of the proposed advisory fee, the Board considered the undertaking by the Adviser to assume New Fund organizational expenses as well as to reimburse New Fund expenses exceeding a 1.75% cap (other than dividends and interest on short sales) for a three-year period.

The Board also considered potential economies of scale with respect to the management of the New Fund and whether the New Fund will benefit from any economies of scale. The Board noted the Adviser’s conclusion that it will not earn its full fee until assets reach approximately \$50 million. The Board also noted that the New Fund is capacity constrained, which limits the Adviser’s ability to achieve economies of scale.

Other Benefits to the Adviser and its Affiliates. The Board also considered the character and amount of other incidental benefits to be received by the Adviser and its affiliates. The Board noted that the Adviser's affiliated broker-dealer is not expected to execute any portfolio transactions for the New Fund and the Adviser does not expect to earn any fall-out benefits in the form of soft dollar credits from its relationship with the New Fund. The Board concluded that the proposed advisory fee was reasonable in light of any anticipated fall-out benefits.

Based on all of the information considered and the conclusions reached, the Board determined that the terms of the Agreement for the New Fund were fair and reasonable and that the approval of the Agreement is in the best interests of the New Fund. No single factor was determinative in the Board's analysis.