

Investment Terms Glossary

12b-1 Fee: A fee assessed on certain funds and associated share classes permitted under an SEC rule to help cover the cost associated with marketing and selling the fund; 12b-1 fees may also be used to cover shareholder-servicing expenses. They are typically paid to a broker/dealer and are included within a fund's Expense Ratio (see below).

Active Management: the trading of securities to take advantage of market opportunities as they occur, in contrast to passive management. Active managers rely on research, market forecasts and their own judgment and experience in the selection and timing of securities to trade.

Aggressive: An investment approach that accepts above-average risk of loss in return for potentially above-average investment returns.

Aggressive Growth Fund: An investment fund that takes higher risk of loss in return for potentially higher returns or appreciation.

Allocation Fund: A fund that allocates its investments between equity and fixed income securities. Also known as a balanced or hybrid fund.

AMEX Major Market Index (XMI): An index that is an average of 20 Blue Chip Industrial Stocks.

Annual Report: A yearly report or record of an investment's (e.g., a mutual fund's or company's) financial position and operations.

Annual Rate of Return: The annual rate of gain or loss on an investment expressed as a percentage.

Appreciation: An increase in the value of an investment.

Asset Allocation: A method of investing by which investors include a range of different investment classes – such as stocks bonds, and cash alternatives or equivalents – within their portfolios. See *Diversification*.

Asset Class: a group of securities or investments that have similar characteristics and behave similarly in the marketplace. Three common asset classes are equities, (e.g. stocks), fixed income (e.g. bonds), and cash alternatives or equivalents (e.g., money market funds).

Average Annual Total Return: The yearly average percentage increase or decrease in an investment's value that includes dividends, gains, and changes in share prices.

Back-end Load: A fee imposed by some funds when shares are redeemed (sold back to the fund) during the first few years of ownership. Also called a contingent deferred sales charge.

Balanced Fund: A fund with an investment objective of both long-term and income, through investment in both stocks and bonds.

Barclay's Capital U.S. Aggregate Bond Index: A common index used to measure performance of U.S. bond funds.

Barclay's Capital Global Aggregate Index: A common index used to measure performance of world bond funds.

Barclay's Capital U.S. Mortgage Backed Securities Index: A common index used to measure performance of U.S. backed securities funds.

Barclay's Capital U.S. Corporate High Yield 2% Issuer Capped Index: A common index used to measure performance of corporate bond funds.

Barclay's Capital U.S. Government/Credit Index: A common index used to measure performance of U.S. bond funds.

Basis Point: one-hundredth of one percent, or 0.01%. For example, 20 basis points equal 0.20%. Investment expenses, interest rates, and yield differences among bonds are often expressed in basis points.

Benchmark: An unmanaged group of securities whose performance is used as a standard to measure investment performance. Some well-known benchmarks are the Dow Jones Industrial Average and the S&P 500 index.

Blend: A Morningstar[®] equity category indicating a stock mix that falls between value and growth by definition and calculation.

Bond: A debt security, which represents the borrowing of money by a corporation, government or other entity. The borrowing institution repays the amount of the loan plus a percentage as interest. Income funds generally invest in bonds.

Bond Rating or Quality: A rating or grade that is intended to indicate the credit quality of a bond, considering the financial strength of its issuer and the likelihood that it will repay the debt. Agencies such as Standard & Poor's, Moody's Investors Service and Fitch issue ratings for different bonds, ranging from AAA (highly unlikely to default) to D (in default). Minimum investment grade considered BBB or above. BB or below is considered high-yield or "junk."

Brokerage Window: A plan feature that permits participants to purchase investments that are not included among the plan's general menu of designated investment alternatives.

Bullion: A bulk quantity of precious metal (gold, silver, platinum, etc), assayed by weight and purity, and typically cast as bars or ingots. No numismatic value.

Capitalization (Cap): The total market value of a company's outstanding equity.

Capital Gain: An increase in the value of an investment, calculated by the difference between the net purchase price and the net sale price.

Capital Loss: The loss in the value of an investment, calculated by the difference between the purchase price and the net sale price.

Capital Preservation: An investment goal or objective to keep the original investment amount (the principal) from decreasing in value.

Cash Alternative or Cash Equivalent: An investment that is short term, highly liquid, and has high credit quality.

Commission: Compensation paid to a broker or other salesperson for his or her role when investments are bought or sold.

Common Stock: an investment that represents a share of ownership in a corporation.

Company Stock Fund: A fund that invests primarily in employer securities that may also maintain a cash position of liquidity purposes.

Compounding: The cumulative effect that investing an investment's earnings can have by generating additional earnings of their own.

Conservative: An investment approach that accepts lower rewards in return for potentially lower risks.

Contingent Deferred Sales Charge (CDSC): A fee imposed when shares of a mutual fund or a variable annuity contract are redeemed (sold) during the first few years of ownership. Also called a back-end load.

Corporate Bond: A bond issued by a corporation, rather than a government. The credit risk for a corporate bond is based on the re-payment ability of the company that issued the bond.

Credit Risk: The risk that a bond issuer will default, meaning not repay principal or interest to the investor as promised. Credit risk is also known as default risk.

Current Yield: the current rate of return of an investment calculated by dividing its expected income payments by its current market price.

Custodial: A person or entity (e.g., bank, trust company or other organization) responsible for holding financial assets.

Deflation: The opposite of inflation – a decline in the price of goods and services.

Depreciation: A decrease in the value of an investment.

Derivatives: A security whose price is determined by and derived from one or more underlying assets. Derivatives are contracts (often unregulated) between two or more parties. A derivative's value is determined by fluctuations in the underlying asset, including stocks, bonds, commodities, currencies, interest rates and market indices. Most derivatives are characterized by high leverage where small fluctuations in an underlying asset magnify the change in the derivative's value (price).

Designated Investment Alternative: The investment options picked by your plan into which participants can direct the investment of their plan accounts.

Developing Markets: Economies and associated securities representing emerging, frontier, third-world, etc., markets.

Diversification: The practice of investing in multiple asset classes and securities with different risk characteristics in order to reduce the risk of owning any single investment.

Dividend: Money an investment fund or company pays to its stockholders, typically from profits. The amount is usually expressed on a per-share basis.

Don Jones Industrial Average (DJIA, Dow): a widely followed price-weighted index of 30 of the largest, most widely held U.S. stocks.

Duration: Analogous to maturity but more accurate in predicting interest rate sensitivity: the longer a fund's duration, the more sensitive the fund is to shifts in interest rates. Duration is determined by a formula that includes coupon rates and bond maturities. Small coupons tend to increase duration, while shorter maturities and higher coupons shorten duration. The relationship between funds with different durations is straight forward: a fund with a duration of 10 years is twice as volatile as a fund with a five-year duration.

Emerging Market: Generally, economies that are in the process of growth and industrialization such as Africa, Asia, Eastern Europe and the Far East, Latin America, and the Middle East which, while relatively underdeveloped, may hold significant growth potential in the future. Investing in these economies may provide significant rewards, and significant risk. May also be called developing markets.

Emerging Market Fund: A fund that invests primarily in emerging market countries.

Employer Securities: Securities issued by and employer or employees covered by a retirement plan that may be used as a plan investment option.

Equity/Equities: A security or investment representing ownership in a corporation, unlike a bond, which represents a loan to a corporate borrower. Often used interchangeably with "stock."

Equity Wash Restriction: A provision in certain stable value or fixed income products under which transfers made from the stable value or fixed income products are required to be directed to an equity fund or other non-competing investment options of the plan for a stated period of time (usually 90 days) before those funds may be invested in any other plan-provided competing fixed income fund (such as a money market fund).

Exchange-Traded Fund (ETF): An investment company, analogous to a mutual fund, whose assets are not actively managed like a mutual fund, and whose shares are priced and traded in real-time like individual securities on various exchanges.

Expense Ratio: A measure of what it costs to operate an investment, expressed as a percentage of its assets or in basis points. These are the cost the investor pays through a reduction in the investment's rate of return. See *Operating Expenses and Total Operating Expenses*.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures money on deposit in the member banks and thrift institutions.

Financial Industry Regulatory Authority (FINRA): A self-regulatory organization for brokerage firms doing business in the United States. FINRA operates under the supervision of the SEC. The organization's objectives are to protect investors and ensure market integrity.

Financial Statements: The written record of the financial status of a fund or company, usually published in the annual report. The financial statements generally include a balance sheet, income statement and other financial statements and disclosures.

Fixed Income Fund: A fund that invests primarily in bonds and other fixed-income securities, often to provide shareholders with current income.

Fixed Return Investment: An investment that provides a specific rate of return to the investor.

Fund Family: A group or “complex” of mutual funds, each typically with its own investment objective, and managed and distributed by the same company. A fund Family also could refer to a group of collective investment funds or group of separate accounts managed and distributed by the same company.

Fund of Funds: A mutual fund, collective investment fund or other pooled investment that invest primarily in other mutual funds, collective investment funds or pooled investments rather than investing directly in individual securities (such as stocks, bonds or money market securities).

Futures: A contractual agreement, generally made on the trading floor of a futures exchange, to buy or sell a particular commodity or financial instrument at a predetermined price in the future. Futures contracts detail the quality and quantity of the underlying asset; they are standardized to facilitate trading. Some futures contracts may call for physical delivery of the asset, while others are settled in cash.

Glide Path: The change over time in a target date fund's asset allocations mix to shift from a focus on growth to a focus on income.

Global Fund: A fund that invests primarily in securities anywhere in the world, including the United States.

Growth and Income Fund: A fund that has a dual strategy of growth or capital appreciation and current income generation through dividends or interest payments.

Inception Date: The date that a fund began operations.

Income Fund: A fund that primarily seeks current income rather than capital appreciation.

Index: A benchmark against which to evaluate a fund's performance. The most common indexes for stock funds are the Dow Jones Industrial Average and the Standard & Poor's (S&P) 500 Index.

Index Fund: An investment fund that seeks to parallel the performance of a particular stock market or bond market index. Index funds are often referred to as passively managed investments.

Inflation: The overall general upward price movement of goods and services in an economy. Inflation is one of the major risks to investors over the long term because it erodes the purchasing power of their savings.

Interest/Interest Rate: The fee charged by a lender to a borrower, usually expressed as an annual percentage of the principal. For example, someone investing in bonds will receive interest payments from the bond's issuer.

Interest Rate Risk: the possibility that a bond's or bond fund's market value will decrease due to rising interest rates. When interest rates and bond yields go up, the bond prices usually go down and vice versa.

International Fund: A fund that invests primarily in the securities of companies located, or with revenues derived from, outside of the United States.

Investment Advisor: A person or organization hired by an investment fund or an individual to give professional advice on investments and asset management practices.

Investment Company: A corporation or trust that invests pooled shareholder dollars in securities appropriate to the organization's objective. The most common type of investment company, commonly called a mutual fund, stands ready to buy back its shares at their current net asset value.

Investment Objective: The goal that an investment fund or investor seeks to achieve (e.g., growth or income).

Investment Return: the gain or loss on an investment over a certain period, expressed as a percentage. Income and capital gains or losses are included in calculating the investment return.

Investment Risk: The possibility of losing some or all of the amounts invested or not gaining value in an investment.

Large Capitalization (Cap): A reference to either a large company stock or an investment fund that invests in the stocks of large companies.

Large Cap Fund: A fund that invest primarily in large cap stocks.

Large Cap Stocks: Stocks of companies with a large market capitalization. Large caps tend to be well-established companies that pay dividends, so their stocks typically entail less risk than smaller caps, but large caps also offer less potential for dramatic growth.

Lifecycle Fund: A fund designed to provide varying degrees of long-term appreciation and capital preservation based on an investor's age or target retirement date through a mix of asset classes. The mix changes over time to become less focused on growth and more focused on income. Also known as “target date retirement” or “age-base” funds.

Lifestyle Fund: A fund that maintains a predetermined risk level and generally uses words such as “conservative,” “moderate,” or “aggressive” in its name to indicate the fund's risk level. Used interchangeably with “target risk fund.”

Lipper: A leading mutual fund research and tracking firm. Lipper categorizes funds by objective and size, and then ranks fund performance with those categories.

Liquidity: The ease with which an investment can be converted into cash. If a security is very liquid, it can be bought or sold easily. If a security is not liquid, it may take additional time and/or a lower price to sell it.

Load: A sales charge assessed on certain investments to cover selling costs. A front-end load is charged at the time of purchase. A back-end load is charged at the time of sale or redemption.

Management Fee: A fee or charge paid to an investment manager for its services.

Market Capitalization or Market Cap: The market value of a company. Market capitalization can be determined by multiplying the number of outstanding shares of a company's stock by the stock's current market price per share.

Market Risk: the possibility that the value of an investment will fall because of a general decline in the financial markets.

Maturity Date: The date on which the principal amount of a loan, bond, or any other debt becomes due and is to be paid in full.

Mid Capitalization (Cap): A reference to either a medium sized company stock or an investment fund that invest in the stocks of medium-sized companies.

Mid Cap Fund: A fund that invests primarily in mid-cap stocks.

Money Market Funds: A mutual fund that invest in short-term, high-grade fixed-income securities, and seeks the highest level of income consistent with preservation of capital (i.e., maintaining a stable share price).

Morningstar: A leading mutual fund research and tracking firm. Morningstar categorizes funds by objective and size, and then ranks fund performance within those categories.

MSCI EAFE Index: An index known by an acronym for the Europe, Australasia, and Far East markets produced by Morgan Stanley Capital International (MSCI). Markets are represented in the index according to the approximate share of world market capitalization. The index is a widely used benchmark for managers of international stock fund portfolios.

MSCI All Country World Index: A common index used to measure performance of world equity funds.

MSCI All Country World Small Cap Index: A common index used to measure performance of small cap world equity funds.

Mutual Fund: An investment company registered with the SEC that buys a portfolio of securities selected by a professional investment adviser to meet a specified financial goal (investment objective). Mutual funds can have actively managed portfolios, where a professional investment adviser creates a unique mix of investments to meet a particular investment objective, or passively manages portfolios, in which the adviser seeks to parallel the performance of a selected benchmark or index.

NASDAQ: The National Association of Securities Dealers Automated Quotation, also called "electronic stock market." The NASDAQ composite index measures the performance of more than 5,000 U.S. and non-U.S. companies traded "over the counter" through NASDAQ.

Net Asset Value (NAV): The net dollar value of a single investment fund share or unit that is calculated by the fund on a daily basis.

New York Stock Exchange (NYSE): The oldest and largest stock exchange in the United States, founded in 1792.

No-Load Fund: A mutual fund whose shares are sold without a sales commission and which does not charge a combined 12b-1 fee and service fee of more than 25 basis points or 0.25% per year.

Operating Expenses: The expenses associated with running or operating an investment fund. Operating expenses may include custody fees, management fees, and transfer agent fees. See *Expense Ratio and Total Annual Operating Expenses*.

Passive Management: The process or approach to operating or managing a fund in a passive or non-active manner, typically with the goal of mirroring an index. These funds are often referred to as index funds and differ from investment funds that are actively managed.

Portfolio: A collection of investments such as stocks and bonds that are owned by an individual, organization, or investment fund.

Portfolio Manager: The individual, team or firm who makes the investment decisions for an investment fund, including the selection of the individual investments.

Portfolio Turnover Rate: A measure of how frequently investments are bought and sold within an investment fund during a year. The portfolio turnover rate is usually expressed as a percentage of the total value of an investment fund.

Principal: The original dollar amount of an investment. Principal may also be used to refer to the face value or original amount of a bond.

Prospectus: The official document that describes certain investments, such as mutual funds, to prospective investors. The prospectus contains information required by the SEC, such as investment objectives and policies, risk, services and fees.

Rate of Return: The rate of return on an investment adjusted for inflation.

Real Rate of Return: The rate of return on an investment adjusted for inflation.

Rebalance: The process of moving money from one type of investment to another to maintain a desired asset allocation.

Redemption: To sell fund shares back to the fund. Redemption can also be used to mean the repayment of a bond on or before the agreed upon pay-off date.

Redemption Fee: A fee, generally charged by a mutual fund, to discourage certain trading practices by investors, such as short-term or excessive trading. If a redemption fee is charged it is done when the investment is redeemed or sold.

Return: The gain or loss on an investment. A positive return indicates a gain, and a negative return indicates a loss.

Risk: the potential for investors to lose some or all the amounts invested or to fail to achieve their investment objectives.

Risk Tolerance: An investor's ability and willingness to lose some or all of an investment in exchange for greater potential returns.

Round Trip Restrictions: A policy that limits the number of times an investor can exchange into and out of a fund within a give time frame. This is intended to discourage frequent trading that increase the cost to all the fund's investors.

Russell Index: A group of indexes that are widely used to benchmark investment performance. The most common Russell index is the Russell 2000 Index, an index of U.S. small-cap stocks, which measures the performance of the 2000 smallest U.S Companies.

Sales Charge: A charge for buying an investment.

SEC 30-Day Yield: Computed by dividing the net investment income per share earned during the most recent 30-day period by the maximum offering price per share on the last day of the period. See *Yield*.

Sector Fund: A fund that invests in a particular or specialized segment of the marketplace, such as stocks of companies in the software, health care or real estate industries.

Securities and Exchange Commission (SEC): Government agency created by congress in 1934 to regulate the securities industry and to help protect investors. The SEC is responsible for ensuring that the securities markets operate fairly and honestly.

Security: A general term for stocks, bonds mutual fund and other investments.

Separate Account: An insurance company account that is segregated or separated from the insurance company's general assets. Also refers to a fund managed by an investment advisor for a single plan.

Share: A representation of ownership in a company or investment fund.

Share Class: Some investment funds and companies offer more than one type or group of shares, each of which is considered a class (e.g., "Class A," "Advisor" or "Institutional" shares). For most investment funds each class has different fees and expenses but all of the classes invest in the same pool of securities and share the same investment objectives.

Shareholder: An owner of shares in an investment fund or corporation.

Shareholder-Type Fees: any fee charged against your investment for purchase and sale, other than the total annual operating expenses.

Small Capitalization (Small Cap): A reference to either a small company stock or an investment fund that invest in the stocks of small companies.

Small Cap Fund: A fund that invests primarily in small company (small-cap) stocks. Small cap stocks typically do not pay dividends, choosing instead to invest in company growth.

Small Cap Stocks: Stocks of companies with a smaller market capitalization. Small caps are often considered to offer more growth potential than large caps and mid caps but more risk.

Stable Value Fund: An investment fund that seeks to preserve principal, provide consistent returns and liquidity. Stable value funds include collective investment funds sponsored by banks or trust companies or contracts issued by insurance companies.

Standard & Poor's 500 Stock Index (S&P 500): An index comprised of 500 widely held common stocks considered to be representative of the U.S. stock market in general. The S&P 500 is often used as a benchmark for equity fund performance.

Stock: A security that represents an ownership interest in a corporation.

Stock Fund: A fund that invests primarily in stocks.

Stock Symbol: An abbreviation using letters and numbers assigned to securities to identify them. Also see *Ticker Symbol*.

Summary Prospectus: A short-form prospectus that mutual funds generally may use with investors if they make the long-form prospectus and additional information available online or in paper upon request.

Target Date Fund: A fund designed to provide varying degrees of long-term appreciation and capital preservation based on an investor's age or targeted retirement date through a mix of asset classes. The mix changes over time to become less focused on growth and more focused on income. Also know as a "lifecycle fund." Some funds are actively managed only to the target date; others are continued to be actively managed through and after the target date.

Target Risk Fund: A fund that maintains a predetermined asset mix and generally uses words such as "conservative," "moderate," or "aggressive" in its name to indicate the fund's risk level. Often used interchangeably with "Lifestyle fund."

Ticker Symbol: An abbreviation using letters and numbers assigned to securities and indices to identify them. Also see *Stock Symbol*.

Time Horizon: The Amount of time that an investor expects to hold an investment before taking money out.

Total Annual Operating Expense: A measure of what it costs to operate an investment, expressing as a percentage of its assets, as a dollar amount, or in basis points. These are costs the investor pays through a reduction in the investment's rate of return. See *Expense Ratio and Operating Expenses*.

Transaction Fee or Ticket Charge: A fee charged by a clearing house to buy or sell a security per trade lot (regardless of share or dollar amount); Alexander Investment Services does not participate in these fees; mutual funds may provide a fee-free share class as indicated (typically at a higher annual investment management fee or expense ratio). For example: TD Ameritrade may charge a transaction fee of \$9.99 per equity trade (stock or ETF) and \$24 for many mutual fund trades (a no-fee fund share class may be offered at a higher expense ratio).

Trustee: A person or entity (e.g., bank, trust company, or organization) that is responsible for the holding and safekeeping of the trust assets. A trustee may also have other duties such as investment management. A trustee that is a "direct trustee" is responsible for the safekeeping of trust assets but has no discretionary investment management duties or authority over the assets.

Unit: A representation of ownership in an investment that does not issue shares. Most collective investment funds are divided into units instead of shares. See *Shares*.

Unitholder: An owner of units in an investment. See *Shareholder*.

Unit Class: Investment funds that are divided into units (e.g., collective investment funds) instead of shares may offer more than one type or group of units, each of which is considered a class (e.g., "Class A"). For most investment funds, each class has different fees, and expenses but all of the classes invest in the same pool of securities and share the same investment objectives.

Unit Value: The dollar value of each unit on a given date.

U.S. Treasury Securities: Debt securities issued by the United States government and secured by its full faith and credit. Treasury securities are the debt-financing instrument of the United States Federal government, and they are often referred to simply as Treasuries.

Value Fund: A fund that invests primarily in stocks that are believed to be priced below what they really are worth.

Variable Return Investment: Investments for which the return is not fixed. This term includes stock and bond funds as well as investments that seek to preserve principal but do not guarantee a particular return, e.g., money market funds and stable value funds.

Volatility: The amount and frequency of fluctuations in the price of a security, commodity, or a market within a specified time period. Generally, an investment with high volatility is said to have a higher risk since there is an increasing chance that the price of the security will have fallen when an investor wants to sell.

Wrap Fee: A fee or expense that is added to or "wrapped around" an investment to pay for one or more product features or services.

Yield: A security's 12-month income distributions divided by the last month's net asset value plus any capital gains distributed over the same period. See SEC 30-Day Yield. See *SEC 30-Day Yield*.