

## Glossary of Investment Terms

**12b-1 Fee** – The percentage of a fund's assets used to pay for marketing and distribution expenses.

**Back-End Load** – The sales charge an investor will pay to withdraw money from an investment. The fee will equal a percentage of the value of the shares to be sold. Most common in mutual funds and annuities, the back-end load is designed to discourage withdrawals.

**Barclays Govt/Credit Bond Index** – An unmanaged index that tracks the performance of US Government and corporate bonds rated investment grade or better, with maturities of at least one year.

**Beta** – Used to measure a fund's volatility or sensitivity to market movements. For example, the benchmark beta is 1.00; therefore, a beta of 1.10 would show the fund performed 10% better than its benchmark in up markets and 10% worse in down markets. Conversely, a beta of 0.85 would indicate that the fund's excess return is expected to perform 15% below the market's performance during up markets and 15% better during down markets.

**Developed Market Countries** – Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

**Duration** – Measures the sensitivity of a bond fund's price to a change in interest rates. For example, if a bond fund has a duration of two years, its price would fall approximately 2% when interest rates rose one percentage point. On the other hand, the bond fund's price would rise by about 2% when interest rates fell by one percentage point.

**Emerging Market Countries** – Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

**Expense Ratio** – The annual fee that all funds charge their shareholders. It expresses the percentage of assets deducted during the fund's fiscal year for fund expenses, i.e., management, administration, operating costs, and all other asset-based costs incurred by the fund. The manager deducts the expense ratio from the fund's average net assets daily.

**Front-End Load** – The fee, commission or sales charge applied to the purchase of an investment or shares in a mutual fund. The front-end load is deducted from the initial deposit or purchase, thereby reducing the amount of the initial investment.

**JPM GBI-EM Global Diversified Index** – The JPMorgan Government Bond Index-Emerging Markets Global Diversified Index is a comprehensive benchmark that tracks bonds in the local currency issued by Emerging Market governments. The Index only includes countries that are accessible to most international investors.

**Large-Cap** – Large caps are typically defined as companies with market caps of \$10 billion or more. Included within large caps are mega caps, which are usually defined as companies with market caps of \$200 billion or more. These tend to be companies that are very stable and dominate their industry.

**Market Capitalization** – The total equity market value of the company equals the shares outstanding times the current stock price. Capitalization is a measure of corporate size, i.e., small-cap, mid-cap and large-cap.

**Mid-Cap** – Mid caps are typically defined as companies with market caps that are between \$2 billion and \$10 billion. Mid-cap stocks tend to be riskier than large-cap stocks but less risky than small-cap stocks.

**MSCI ACWI ex-US net** – Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) ex-US net. The Index captures mid-cap and large-cap equity representation across 22 of 23 Developed Markets countries (excluding the US) and 26 Emerging Markets countries. The Index covers approximately 85% (2,206 companies) of the global equity opportunity set outside the US.

**Price/Book Ratio (P/B)** – The weighted average of the P/B ratios of all the stocks in a fund's portfolio. The P/B ratio can tell investors approximately how much they are paying for a company's assets, based on historical, rather than current, valuations.

**Price/Earnings Ratio (P/E)** – A fund's P/E is the weighted average of the P/E ratios for all the stocks in a fund's portfolio. To calculate a company's P/E, divide the company's current price by the company's trailing 12-month earnings per share.

**R-squared** – Measures the correlation of the fund to the benchmark's return. An R-squared of 100 indicates that movements in the benchmark can explain all the changes of a fund; an S&P 500 Index Fund will have an R-squared very close to 100. Conversely, a low R-squared indicates that very few of the fund's movements can be explained by changes in the benchmark.

**Russell 2000 Index** – A market capitalization-weighted benchmark index made up of the 2,000 smallest US companies in the Russell 3000. The Index is updated annually by the Frank Russell Company. The Index is the most common benchmark for mutual funds that identify themselves as "small-cap."

**S&P 500 Index** – Standard & Poor's maintains a market-capitalization-weighted index of the 500 largest US publicly traded companies. The Index is a popular standard for measuring the stock market performance of the largest and most broadly-based companies and represents over 80% of US equities by market capitalization.

**S&P/LSTA Performing Loans Index** – The index tracks the current outstanding balance and spread over LIBOR for fully funded term loans. The facilities included represent a broad cross section of performing leveraged loans syndicated in the US, including dollar-denominated loans to overseas issuers.

## S&P 500 Sector Allocation:

- **Consumer Discretionary** – Goods and services – apparel, entertainment and leisure, and automobiles – that consumers deem non-essential but desirable if they have the disposable income to purchase them. The sector includes companies such as Best Buy, Carnival, Ford, Hasbro, Starbucks and Whirlpool.
- **Consumer Staples** – Essential products like food and household goods, but it also includes alcohol and tobacco. These goods are considered non-cyclical; always in demand, no matter the state of the economy. The sector consists of companies such as Altria Group, Colgate-Palmolive, Estee Lauder, Kellogg Co., and Kroger.
- **Energy** – Consists of companies that produce or supply energy, explore and develop oil or gas reserves (drilling and refining), and integrated power utility companies. The sector includes companies such as Baker Hughes, Chevron, Exxon Mobil, Halliburton, Kinder Morgan, Schlumberger and Valero Energy.
- **Financials** – A broad range of industries – banks, investment companies, insurance companies and real estate firms – that provide financial services to commercial and retail customers. The sector includes companies such as Allstate, Citigroup, Marsh & McLennan Cos., Moody's and T. Rowe Price.
- **Health Care** – This sector represents two industry groups. First, the manufacturing of health care equipment and supplies and related services. Second, companies that conduct research and development and the production of pharmaceuticals and biotechnology products. The sector includes companies such as Bristol-Myers Squibb Co., CVS, Eli Lilly, Pfizer and Quest Diagnostics.
- **Industrials** – The manufacture and distribution of capital goods including aerospace & defense, construction and industrial machinery. The provision of commercial services and supplies and transportation services. The sector includes companies such as 3M, Boeing, Caterpillar, General Dynamics, General Electric and Union Pacific.
- **Materials** – Involves the discovery, development and processing of raw materials – oil, gold, stone – and engagement in areas such as metal refining, chemical products and forestry products. Most of the materials in this sector are used in construction. The sector includes companies such as Dow, International Paper, Newmont Mining Corp. and PPG Industries.
- **Real Estate** – This sector includes real estate management and development services, and all REITs (except for Mortgage REITs). The sector consists of companies such as American Tower Corp., Kimco Realty, Public Storage, Simon Property Group and Vornado Realty Trust.
- **Information Technology** – The sector covers three key areas – technology software and services, technology hardware and equipment and semiconductor equipment manufacturers. The sector includes companies such as Accenture, Apple, Corning, IBM, Intel, Mastercard Paychex and Salesforce.
- **Communication Services** – Consists primarily of companies that provide communications services through a fixed-line, cellular, wireless, high bandwidth and fiber optic cable network. The sector

includes companies such as AT&T, CBS, Comcast, Electronic Arts, Netflix, TripAdvisor, Twitter, Viacom and Walt Disney.

• **Utilities** – Consists of electric, gas or water utilities and companies that operate as independent producers or distributors of power. The sector includes companies such as American Electric Power, American Water Works, Duke Energy Corp., Eversource Energy, PSE&G and Southern Company.

**Sharpe Ratio** – Nobel Laureate William Sharpe developed this risk-adjusted measurement. The ratio measures the portfolio's excess return per each unit of additional risk (as measured by the standard deviation), compared to a risk-free asset. The Sharpe Ratio indicates whether portfolio returns are due to skilled investing or excess risk. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance.

**Small-Cap** – Small caps are typically defined as companies with market caps less than \$2 billion. Historically, small-cap stocks have usually underperformed large-cap stocks during recessions but have outperformed large-cap stocks as the economy has emerged from recessions.

**Standard Deviation** – Measures the total volatility or risk of a portfolio. Standard deviation indicates how widely a portfolio's returns have varied around the average over a specified time frame. A lower standard deviation means less variance of returns and therefore, a lower level of risk.

**Turnover** – A measure of trading activity in the fund expressed as a percentage of the average total assets of the fund sold during a specified period. For example, a turnover rate of 25% means that the value of trades represented one-fourth of the assets of the fund.

A low turnover rate (20% to 30%) would indicate a buy-and-hold strategy while a high turnover rate (more than 100%) would indicate an investment strategy that involves considerable buying and selling of securities.