

Glossary of Finance/Investment Terms

Asset allocation - The process of assigning proportions of investible assets between different asset classes such as equities, Bonds, treasury bills etc as a diversification tool.

Balanced fund - Mutual funds that seek both growth and income in a portfolio with a mix of Equities, treasury bills or bonds. The companies selected typically are in different industries and different geographic regions.

Benchmark - A standard, usually an unmanaged index, used for comparative purposes in assessing performance of a portfolio or mutual fund.

Blue chip - A high-quality, relatively low-risk investment; the term usually refers to stocks of large, well-established companies that have performed well over a long period. The term Blue Chip is borrowed from poker, where the blue chips are the most valuable.

Cash flow: The liquidity that is received on an investment either as income or Principal repayment.

Diversification - The process of Risk Management by owning different investments that tend to perform well at different times in order to reduce the effects of volatility in a portfolio, and also increase the potential for increasing returns.

Equities - Shares issued by a company which represent ownership in it. Ownership of property, usually in the form of common stocks, as distinguished from fixed-income securities such as bonds or mortgages. Stock funds may vary depending on the fund's investment objective.

Fixed income fund - A fund or portfolio where bonds are primarily purchased as investments. There is no fixed maturity date.

Fund - A pool of money from a group of investors in order to buy securities/instruments (shares, bonds etc). The investors acquire units of the funds and returns are shared among investors in proportion to units held.

Fund manager - The person or entity responsible for making investment decisions of the portfolio to meet the specific investment objective or goal of the portfolio.

Interest rate – The Price at which Borrowers agree to purchase money from lenders. It helps the lender to know exactly how much he will receive as income on his money. It is most often a percentage of the face value of the amount.

NAV Per Unit – this NAV divided by number of units outstanding.

Net asset value - NAV is the value of a fund's asset less the value of its liabilities per unit.

Nominal Value – The face value of a unit of investment.

Portfolio - A collection of investments owned by one organization or individual, and managed as a collective whole with specific investment goals in mind.

Redemption - Sale of mutual fund shares by an investor

Subscription – Purchase of mutual fund shares by an investor

Tax – A mandatory financial charge or some other type of levy imposed upon a tax payer by a governmental organization in order to fund various public expenditures.

Time horizon - The amount of time that you expect to stay invested in an asset or security.

Yield - Annual percentage rate of return on capital. The dividend or interest paid by a company expressed as a percentage of the current price.

Yield to maturity - Concept used to determine the rate of return an investor will receive if a long-term, interest-bearing investment, such as a bond, is held to its maturity date.