

**American Library Association  
Endowment Trustees**

**GLOSSARY of INVESTMENT TERMS**

As related to Endowments

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Endowment Trustees**

**GLOSSARY of INVESTMENT TERMS**

***Introduction***

This glossary provides a quick reference for terms commonly used in the investment world, particularly as they relate to endowments. It is not intended to be comprehensive but to serve as a primer to terms one may encounter in discussing the ALA Endowment Fund. ALA Endowment Trustees and staff compiled the glossary 2019 – 2020 for their convenience and that of the Executive Board, finance committees, members, and staff. The glossary grew from the strategic review begun in fall 2018 to revisit and revise operations, procedures, and policies of the ALA Endowment Trustees and develop ways to educate Trustees and members about investing and the endowment.

***What Is an Endowment?***

An endowment is a fund committed to long-term investment with the intention of using investment income for a designated purpose. An endowment fund may originate with a donation of money or property to an organization, or it may refer to an organization's total investable assets and meant to be used for operations or programs that are consistent with the wishes of the organization or donor(s). Money invested in an endowment is known as the principal or corpus. Most endowments are designed to keep the principal amount intact while using investment income for charitable efforts.

***Key Takeaways***

- Most endowments are designed to keep the principal amount intact while using the investment income for charitable efforts.
- Endowments tend to be organized as a trust, a private foundation, or a public charity.
- Educational institutions, cultural institutions, and service-oriented organizations typically administer endowments.

***Endowment Types***

There are four types of endowments: unrestricted, term/temporarily, quasi, and permanently restricted.

- Unrestricted endowments are assets that can be spent, saved, invested, and distributed at the discretion of the institution receiving the gift.
- Term/temporarily restricted endowments usually stipulate that only after a period or a certain time or event can the principal be expended.
- A quasi - endowment is a donation by an individual or institution, given with the intent of having that fund serve a specific purpose. The principal is typically retained while the earnings are expended or distributed per specifications of the donor.

- Permanently Restricted endowments have their principal held in perpetuity, while the earnings from the invested assets are expended per the donor's specification.

Except in a few circumstances, the terms of these endowments cannot be violated. If an institution is near bankruptcy or has declared bankruptcy but still has assets in endowments, a court can issue a doctrine of *cy-près*, enabling the institution to use the assets toward better financial health while still honoring the wishes of the donor as closely as possible. Drawing down the corpus of the endowment to pay debts or operating expenses is known as invading or endowment invasion and sometimes requires state approval.

*Note: Annuity and Life Income Funds: Often classified with endowment funds, these funds are acquired by an institution under annuity contracts, trust agreements, bequests, or gifts. The institution must pay stipulated amounts to designated individuals for a certain period, after which the principal and interest revert to the institution to be spent per the donors' restrictions.*

### ***Investment Terms***

#### Absolute Return

Absolute return is the return that an asset achieves over a certain period. This measure looks at the appreciation or depreciation, expressed as a percentage, that an asset, such as a stock or a mutual fund, achieves over a given period.

#### Alpha

The amount of return expected from an investment from its inherent value.

#### Alternative Minimum Tax (AMT)

Federal tax, revamped by the Tax Reform Act of 1986, aimed at ensuring that wealthy individuals, trusts, estates and corporations pay at least some tax.

#### Annual Report

The yearly audited record of a corporation or a mutual fund's condition and performance that is distributed to shareholders.

#### Annualized

A procedure where figures covering a period of less than one year are extended to cover a 12-month period.

#### Annualized Rate of Return

The average annual return over a period of years, taking into account the effect of compounding. Annualized rate of return also can be called compound growth rate.

#### Appreciation

The increase in value of a financial asset.

Asset allocation - The process of dividing investments among cash, income and growth buckets to optimize the balance between risk and reward based on investment needs.

### Asset Class

Securities with similar features. The most common asset classes are stocks, bonds and cash equivalents.

### Average Maturity

For a bond fund, the average of the stated maturity dates of the debt securities in the portfolio. Also called average weighted maturity. In general, the longer the average maturity, the greater the fund's sensitivity to interest-rate changes, which means greater price fluctuation. A shorter average maturity usually means a less sensitive - and consequently, less volatile - portfolio.

Balanced Fund - Mutual funds that seek both growth and income in a portfolio with a mix of common stock, preferred stock or bonds. The companies selected typically are in different industries and different geographic regions.

Basis Points (BPS) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

Bear Market - A bear market is a prolonged period of falling stock prices, usually marked by a decline of 20% or more. A market in which prices decline sharply against a background of widespread pessimism, growing unemployment or business recession. The opposite of a bull market.

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

Beta - A measurement of volatility where 1 is neutral; above 1 is more volatile; and less than 1 is less volatile.

### Bequest

A sum of money made available upon the donor's death.

### 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.

### Bond

A bond acts like a loan or an IOU that is issued by a corporation, municipality or the U.S. government. The issuer promises to repay the full amount of the loan on a specific date and pay a specified rate of return for the use of the money to the investor at specific time intervals.

### Bond Fund

A mutual fund that invests exclusively in bonds.

### Breakpoint

The level of dollar investment in a mutual fund at which an investor becomes eligible for a discounted sales fee. This level may be achieved through a single purchase or a series of smaller purchases.

### Bull Market

Any market in which prices are advancing in an upward trend. In general, someone is bullish if they believe the value of a security or market will rise. The opposite of a bear market.

### Capital

The funds invested in a company on a long-term basis and obtained by issuing preferred or common stock, by retaining a portion of the company's earnings from date of incorporation and by long-term borrowing.

### Capital Gain

The difference between a security's purchase price and its selling price, when the difference is positive.

### Capital Gains Ex-Date

The date that a shareholder is no longer eligible for a capital gain distribution that has been declared by a security or mutual fund.

### Capital Gains Long Term

The difference between an asset's purchase price and selling price (when the difference is positive) that was earned in more than one year.

### Capital Gains Reinvest NAV

The difference between an asset's purchase price and selling price (when the difference is positive) that was automatically invested in more shares of the security or mutual fund at the security's net asset value.

### Capital Gains Short Term

The difference between an asset's purchase price and selling price (when the difference is positive) that was earned in under one year.

### Capital Loss

The amount by which the proceeds from a sale of a security are less than its purchase price.

### Capitalization

The market value of a company, calculated by multiplying the number of shares outstanding by the price per share.

### Cash Equivalent

A short-term money-market instrument, such as a Treasury bill or repurchase agreement, of such high liquidity and safety that it is easily converted into cash.

### Commodity

A commodity is a basic good used in commerce that is interchangeable with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services.

### Common Stock

Securities that represent ownership in a corporation; must be issued by a corporation.

### Corporate Bond

A long-term bond issued by a corporation to raise outside capital.

### Country Breakdown

Breakdown of securities in a portfolio by country.

### Custodian

A bank that holds a mutual fund's assets, settles all portfolio trades and collects most of the valuation data required to calculate a fund's net asset value (NAV).

### Cut-Off Time

The time of day when a transaction can no longer be accepted for that trading day.

### Debt Security

Debt security refers to a debt instrument, such as a government bond, corporate bond, certificate of deposit (CD), municipal bond, or preferred stock, that can be bought or sold between two parties and has basic terms defined, such as notional amount (amount borrowed), interest rate, and maturity and renewal date.

### Default

Failure of a debtor to make timely payments of interest and principal as they come due or to meet some other provision of a bond indenture.

### Distribution Schedule

A tentative distribution schedule of a mutual fund's dividends and capital gains.

### Diversification

The process of 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.

### Dividend

A dividend is a portion of a company's profit paid to common and preferred shareholders. Dividends provide an incentive to own stock in stable companies even if they are not experiencing much growth. Companies are not required to pay dividends.

### Dividend Paid

Amount paid to the shareholder of record a security or mutual fund.

### [Dividend Reinvest NAV](#)

Dividends paid to the shareholder of record that are automatically invested in more shares of the security or mutual fund that are purchased at the security's net asset value.

### [Dividend Yield](#)

Annual percentage of return earned by a mutual fund. The yield is determined by dividing the amount of the annual dividends per share by the current net asset value or public offering price.

### [Dollar Cost Averaging](#)

Investing the same amount of money at regular intervals over an extended period of time, regardless of the share price. By investing a fixed amount, you purchase more shares when prices are low, and fewer shares when prices are high. This may reduce your overall average cost of investing.

### [Dow Jones Industrial Average \(Dow\)](#)

The most commonly used indicator of stock market performance, based on prices of 30 actively traded blue chip stocks, primarily major industrial companies. The Average is the sum of the current market price of 30 major industrial companies' stocks divided by a number that has been adjusted to take into account stocks splits and changes in stock composition.

### [Earnings Per Share \(EPS\)](#)

The portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability.

### [ESG – Also see Socially Responsible Investing \(SRI\)](#)

Also referred to as ethical investing, and socially responsible investing. Stands for Environmental, Social and Governance. It is the practice of aligning an institutions' investment policies with its mission. This may include making program related investments and refraining from investing in corporations with products or policies inconsistent with the foundation's values

### [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.

### [Equity Fund](#)

A mutual fund/collective fund in which the money is invested primarily in common and/or preferred stock. Stock funds may vary, depending on the fund's investment objective.

### [Ex-Dividend](#)

The interval between the announcement and the payment of the next dividend for a stock.

### [Ex-Dividend Date](#)

The date on which a stock goes ex-dividend. Typically about three weeks before the dividend is paid to shareholders of record.

### [Exchange Privilege](#)

The ability to transfer money from one mutual fund to another within the same fund family.

### [Exchange Traded Fund \(ETF\)](#)

An exchange-traded fund (ETF) is a type of security that involves a collection of securities—such as stocks—that often tracks an underlying index, although they can invest in any number of industry sectors or use various strategies. ETFs are in many ways like mutual funds; however, they are listed on exchanges and ETF shares trade throughout the day just like ordinary stock.

### [Expense Ratio](#)

The ratio between an EFT's or mutual fund's operating expenses for the year and the average value of its net assets. It represents the total percentage of fund assets used for administrative, management, advertising (12b-1), and all other expenses. An expense ratio of 1% per annum means that each year 1% of the fund's total assets will be used to cover expenses. AKA – The amount, expressed as a percentage of total value, that comes off the top of the assets and represents the amount that shareholders pay annually for mutual fund operating expenses and management fees. Expense ratios can be seen as the 'cost of doing business' when one chooses to invest in ETF and Mutual Funds.

### [Fair Market Value \(FMV\)](#)

Is the price that an investment would sell for on the open market. Federal Funds Rate (Fed Funds Rate). The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The most sensitive indicator of the direction of interest rates, since it is set daily by the market, unlike the prime rate and the discount rate, which are periodically changed by banks and by the Federal Reserve Board.

### [Federal Reserve Board \(The Fed\)](#)

The governing board of the Federal Reserve System, it regulates the nation's money supply by setting the discount rate, tightening or easing the availability of credit in the economy.

### [Fixed income](#)

Fixed income is a type of investment security that pays investors fixed interest payments until its maturity date. At maturity, investors are repaid the principal amount they had invested.

Government and corporate bonds are the most common types of fixed-income products.

### [Fixed Income Fund](#)

A fund or portfolio where bonds are primarily purchased as investments. There is no fixed maturity date and no repayment guarantee.

### [Fixed Income Security](#)

A security that pays a set rate of interest on a regular basis.



## Fund

A pool of money from a group of investors in order to buy securities. The two major ways funds may be offered are (1) by companies in the securities business (these funds are called mutual funds); and (2) by bank trust departments (these are called collective funds).

## Growth Investing

Investment strategy that focuses on stocks of companies and stock funds where earnings are growing rapidly and are expected to continue growing.

## Growth Stock

Typically a well-known, successful company that is experiencing rapid growth in earnings and revenue, and usually pays little or no dividend.

## Growth-Style Funds

Growth funds focus on future gains. A growth fund manager will typically invest in stocks with earnings that outperform the current market. The manager attempts to achieve success by focusing on rapidly growing sectors of the economy and investing in leading companies with consistent earnings growth. The fund grows primarily as individual share prices climb.

## Hedge Fund

An investment vehicle that somewhat resembles a mutual fund, but with several important differences. If the fund is "off-shore", the fund does not have to adhere to any SEC regulations (and can only sell to non-U.S. investors or investment vehicles). These funds employ several different strategies that are not usually found in mutual funds. The term "hedge" can be misleading. The traditional hedge fund is actually hedged.

## Index

An investment index tracks the performance of many investments as a way of measuring the overall performance of a particular investment type or category. The S&P 500 is widely considered the benchmark for large-stock investors. It tracks the performance of 500 large U.S. company stocks.

## Individual Retirement Account (IRA)

A tax-deferred account to which an eligible individual can make annual contributions up to \$3,000 (\$6,000 for a single-income married couple filing a joint income tax return).

## Inflation

A rise in the prices of goods and services, often equated with loss of purchasing power.

## Interest Rate

The fixed amount of money that an issuer agrees to pay the bondholders. It is most often a percentage of the face value of the bond. Interest rates constitute one of the self-regulating mechanisms of the market, falling in response to economic weakness and rising on strength.

### Interest-Rate Risk

The possibility of a reduction in the value of a security, especially a bond, resulting from a rise in interest rates.

### Investment

The outlay of money usually for income or profit.

### Investment Advisor

An individual or firm that analyzes and makes recommendations on a client's securities/asset allocation for a fee.

### Investment Banking

An activity that specializes in buying and selling large blocks of securities (as new issues) and in raising funds for capital expansion

### Investment Company

A corporation, trust or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective. Mutual funds, closed-end funds and unit investment trusts are the three types of investment companies.

### Investment Grade Bonds

A bond generally considered suitable for purchase by prudent investors.

### Investment Objective

The goal of a mutual fund and its shareholders, e.g. growth, growth and income, income and tax-free income.

### Junk Bond

A lower-rated, usually higher-yielding bond, with a credit rating of BB or lower.

### Large-Cap

The market capitalization of the stocks of companies with market values greater than \$10 billion.

### Lipper Ratings

The Lipper Mutual Fund Industry Average is the performance level of all mutual funds, as reported by Lipper Analytical Services of New York. The performance of all mutual funds is ranked quarterly and annually, by type of fund such as aggressive growth fund or income fund. Mutual fund managers try to beat the industry average as well as the other funds in their category.

### Liquidity

The ability to have ready access to invested money. Mutual funds are liquid because their shares can be redeemed for current value (which may be more or less than the original cost) on any business day.

### Loads (back-end, front-end and no-load)

Sales charges on mutual funds. A back-end load is assessed at redemption (see contingent deferred sales charge), while a front-end load is paid at the time of purchase. No-load funds are free of sales charges.

### Long-Term Investment Strategy

A strategy that looks past the day-to-day fluctuations of the stock and bond markets and responds to fundamental changes in the financial markets or the economy.

### Management fee

The amount paid by a mutual fund to the investment advisor for its services.

### Market Price

The current price of an asset.

### Market Risk

The possibility that an investment will not achieve its target.

### Market Timing

A risky investment strategy that calls for buying and selling securities in anticipation of market conditions.

### Maturity

The date specified in a note or bond on which the debt is due and payable.

### Maturity Distribution

The breakdown of a portfolio's assets based on the time frame when the investments will mature.

### Median Market Cap

The midpoint of market capitalization (market price multiplied by the number of shares outstanding) of the stocks in a portfolio, where half the stocks have higher market capitalization and half have lower.

### Mid-Cap

The market capitalization of the stocks of companies with market values between \$3 to \$10 billion.

### Money Market Mutual Fund

A short-term investment that seeks to protect principal and generate income by investing in Treasury bills, CDs with maturities less than one year and other conservative investments.

### Morningstar Ratings

System for rating open- and closed-end mutual funds and annuities by Morningstar Inc. of Chicago. The system rates funds from one to five stars, using a risk-adjusted performance rating in which performance equals total return of the fund.

### [Mortgage-Backed Security \(MBS\)](#)

A mortgage-backed security (MBS) is an investment like a bond that is made up of a bundle of home loans bought from the banks that issued them. Investors in MBS receive periodic payments like bond coupon payments.

### [Mutual Fund](#)

Pools of money operated by an investment company that raises money from shareholders and invests it in stocks, bonds, options, commodities or money market securities like an individual portfolio.

### [NASDAQ](#)

National Association of Securities Dealers Automated Quotations system, which is owned and operated by the National Association of Securities Dealers. NASDAQ is a computerized system that provides brokers and dealers with price quotations for securities traded over-the-counter as well as for many New York Stock Exchange listed securities.

### [Net Asset Value \(NAV\)](#)

The current dollar value of a single mutual fund share; also known as share price. The fund's NAV is calculated daily by taking the fund's total assets, subtracting the fund's liabilities, and dividing by the number of shares outstanding. The NAV does not include the sales charge. The process of calculating the NAV is called pricing.

### [Number of Holdings](#)

Total number of individual securities in a fund or portfolio.

### [P/B Ratio](#)

The price per share of a stock divided by its book value (net worth) per share. For a stock portfolio, the ratio is the weighted average price-to-book ratio of the stocks it holds.

### [Par Value](#)

Par value is the amount originally paid for a bond and the amount that will be repaid at maturity. Bonds are typically sold in multiples of \$1,000.

### [Portfolio](#)

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

### [Portfolio Allocation](#)

Amount of assets in a portfolio specifically designated for a certain type of investment.

### [Portfolio Holdings](#)

Investments included in a portfolio.

### [Portfolio Manager](#)

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

### Preferred Stock

A class of stock with a fixed dividend that has preference over a company's common stock in the payment of dividends and the liquidation of assets. There are several kinds of preferred stock, among them adjustable-rate and convertible.

### Premium

The amount by which a bond or stock sells above its par value.

### Price-to-Book

The price per share of a stock divided by its book value (net worth) per share. For a stock portfolio, the ratio is the weighted average price-to-book ratio of the stocks it holds.

### Price-to-Earnings (P/E) Ratio

A stock's price divided by its earnings per share, which indicates how much investors are paying for a company's earning power.

### P/E Ratio (1 yr trailing) (long position)

Price of a stock divided by its earnings from the latest year.

### P/E Ratio (1 yr forecast)

Price of a stock divided by its projected earnings for the coming year.

### Principal

The original sum committed to the purchase of assets—independent of any earnings or interest and acts as the primary investment pool.

### Private Equity

Private equity is an alternative investment class and consists of capital that is not listed on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity.

### Prospectus

Formal written offer to sell securities that sets forth the plan for proposed business enterprise or the facts concerning an existing one that an investor needs to make an informed decision. Prospectuses are also issued by mutual funds, containing information required by the SEC, such as history, background of managers, fund objectives and policies, financial statement, risks, services and fees.

### Proxy

A shareholder vote on matters that require shareholders' approval.

## R2

The percentage of a fund's movements that result from movements in the index ranging from 0 to 100. A fund with an R2 of 100 means that 100 percent of the fund's movement can completely be explained by movements in the fund's external index benchmark.

## Ratings

Evaluations of the credit quality of bonds usually made by independent rating services. Ratings generally measure the probability of timely repayment of principal and interest on debt securities.

## Real Estate Investment Trust (REIT)

A real estate investment trust (REIT) is a company owning and typically operating real estate which generates income.

## Recession

A downturn in economic activity, defined by many economists as at least two consecutive quarters of decline in a country's gross domestic product.

Redemption - Sale of mutual fund shares by a shareholder.

## Reinvestment Option

Refers to an arrangement under which a mutual fund will apply dividends or capital gains distributions for its shareholders toward the purchase of additional shares.

## Relative Risk and Potential Return

The amount of potential return from an investment as related to the amount of risk you are willing to accept.

## Relative Value

Relative value is a method of determining an asset's worth that considers the value of similar assets.

## Restricted Funds

Assets or income that is restricted in its use, in the types of organizations that may receive grants from it or in the procedures used to make grants from such funds.

## Return on Investment (ROI)

Is a way to evaluate efficiency, expressed as a percentage e.g. the dollar value of time and resources to achieve an outcome. Enables you to determine whether the initial investment is reasonable for the final outcome.

## Rights of Accumulation

The right to buy over a period of time. For example, this might be done by an institutional investor to avoid making a single substantial purchase that might drive up the market price, or by a retail investor who wants to reduce risk by dollar cost averaging.

### [Risk Tolerance](#)

The degree to which you can tolerate volatility in your investment values.

### [Sales Charge](#)

An amount charged for the sale of some fund shares, usually those sold by brokers or other sales professionals. By regulation, a mutual fund sales charge may not exceed 8.5 percent of an investment purchase. The charge may vary depending on the amount invested and the fund chosen. A sales charge or load is reflected in the asked or offering price. See loads.

### [Sector](#)

A group of similar securities, such as equities in a specific industry.

### [Sector Breakdown](#)

Breakdown of securities in a portfolio by industry categories.

### [Securities](#)

Another name for investments such as stocks or bonds. The name 'securities' comes from the documents that certify an investor's ownership of particular stocks or bonds.

### [Securities and Exchange Commission \(SEC\)](#)

The federal agency created by the Securities and Exchange Act of 1934 that administers the laws governing the securities industry, including the registration and distribution of mutual fund shares.

### [Seed Money](#)

A grant or contribution used to start a new project or organization.

### [Share](#)

A unit of ownership in an investment, such as a share of a stock or a mutual fund.

### [Share Classes](#)

Classes represent ownership in the same fund but charge different fees. This can enable shareholders to choose the type of fee structure that best suits their particular needs.

### [Sharpe Ratio](#)

A risk-adjusted measure that measures reward per unit of risk. The higher the sharpe ratio, the better. The numerator is the difference between the Fund's annualized return and the annualized return of the risk-free instrument (T-Bills).

### [Short-Term Investment](#)

Asset purchased with an investment life of less than a year.

### [Small-Cap](#)

The market capitalization of the stocks of companies with market values less than \$3 billion.

### [Socially Responsible Investing \(SRI\) – Also see ESG](#)

Also referred to as ethical investing or ESG. It is the practice of aligning a foundation's investment policies with its mission. This may include making program related investments and refraining from investing in corporations with products or policies inconsistent with the foundation's values

### [Stable Value Fund](#)

A stable value fund is a portfolio of bonds that are insured to protect the investor against a decline in yield or a loss of capital. The owner of a stable value fund will continue to receive the agreed-upon interest payments regardless of the state of the economy. ...

Stable value funds invest in high-quality government and corporate bonds, short-term, and intermediate term. They are no different from any bond fund, except they are insured.

### [Standard & Poor's Index](#)

Broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks commonly known as the Standard & Poor's 500 or S&P 500.

### [Standard Deviation](#)

A statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution.

### [Stock](#)

A long-term, growth-oriented investment representing ownership in a company; also known as 'equity.'

### [Stockholder](#)

The owner of common or preferred stock of a corporation. Also called 'shareholder.'

### [Systematic investment plan](#)

A service option that allows investors to buy mutual fund shares on a regular schedule, usually through bank account deductions.

### [Tax-Exempt Income](#)

Tax-exempt income is income that is exempt from income taxes. A purchaser of state municipal bonds is exempt from federal taxation on the income earned from the bonds.

### [Time Horizon](#)

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

### [Total Return](#)

Accounts for all of the dividends and interest earned before deductions for fees and expenses, in addition to any changes in the value of the principal, including share price, assuming the funds' dividends and capital gains are reinvested. Often, this percentage is presented in a specified period of time (one, five, ten years and/or life of fund). Also, a method of calculating an investment's return that takes share price changes and dividends into account.



[Treasury Instruments<sup>1</sup> - See the following:](#)

[Treasury Bills \(T-Bills\)](#)

T-bills have the shortest maturity terms—from four weeks to a year.

[Treasury Notes \(T-Notes\)](#)

T-notes mature anywhere between two and 10 years, with bi-annual interest payments, but lower yields.

[Treasury Bonds \(T-Bonds\)](#)

T-bonds mature in 30 years and offer investors the highest interest payments bi-annually.

[Treasury Inflation-Protected Security \(TIPS\)](#)

Treasury bonds that attempt to protect investors against fluctuations in inflation by linking the principal amount to the consumer price index. Each year, the principal is adjusted by the inflation rate during the previous year.

[Tracking Error](#)

The active risk of the portfolio. It determines the annualized standard deviation of the excess returns between the portfolio and the benchmark.

[Transfer Agent](#)

An agent, usually a commercial bank, appointed to monitor records of stocks, bonds and shareholders. A transfer agent keeps a record of the name of each registered shareholder, his or her address, the number of shares owned, and sees that certificates presented for the transfer are properly canceled and new certificates are issued in the name of the new owner.

[Trustee](#)

An organization or individual who has responsibility for one or more accounts. 2. An individual who, as part of a fund's board of trustees, has ultimate responsibility for a fund's activities.

[Turnover Ratio](#)

Percentage of holdings in a mutual fund that are sold in a specified period.

[Valuation](#)

An estimate of the value or worth of a company; the price investors assign to an individual stock.

[Value Investing](#)

A strategy whereby investors purchase equity securities that they believe are selling below estimated true value. The investor can profit by buying these securities then selling them once they appreciate to their real value.

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<sup>1</sup> Treasury bonds, Treasury bills, and Treasury notes are all government-issued fixed income securities that are deemed safe and secure.

### Value Stock

An overlooked or underpriced company that is growing at slower rates.

### Value-Style Funds

Value-style funds typically hold company stocks that are undervalued in the market.

Fundamentally strong companies whose stocks are inexpensive but trending upward may also be selected for value funds.

Volatility - The amount and frequency with which an investment fluctuates in value.

### Weighted Average Maturity

A Fund's WAM calculates an average time to maturity of all the securities held in the portfolio, weighted by each security's percentage of net assets. The calculation takes into account the final maturity for a fixed income security and the interest rate reset date for floating rate securities held in the portfolio. This is a way to measure a fund's sensitivity to potential interest rate changes.

### YTD

Year-to-date return on an investment including appreciation and dividends or interest.

### YTD Total Return

Year-to-date return on an investment including appreciation and dividends or interest.

### YTD Return (w load)

Year-to-date return on an investment including appreciation and dividends or interest, minus any applicable expenses or charges.

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.

### Yield to Maturity Distribution

The average rate of return that will be earned on a bond if held to maturity.