

Glossary of Terms

Active Portfolio Management -A method of choosing individual securities with the goal of outperforming the general markets and/or **indexes**. Due to active trading, this management style may have higher operating costs (expense ratio) than **passive management**.

Aggressive Investments – Typically found in growth funds, these investments seek maximum growth through capital appreciation by investing primarily in common stocks of companies that are believed to offer rapid growth potential. This investment also tends to employ greater than-average risk strategies.

Blend Management – An investment style that blends an appropriate mix of portfolio management styles to achieve the targeted active risk level.

Bond Fund - A fund that invests in income-producing instruments, which may include corporate, government and/or municipal bonds. A bond fund can be a great low-risk investment.

Conservative Growth Portfolio - A portfolio aimed at long-term capital appreciation with low risk. It will likely contain a high percentage of “blue chip” companies and have a low turnover with frequent trading. “Blue chip” companies are defined as well established, older firms having the ability to pay dividends in good and bad years.

Guaranteed Funds – A fund with an underlying guarantee that the capital will be returned in full to the investor at a given point in time in the future (e.g., after five years). These types of funds are generally on offer for a limited period.

Growth Portfolio Management – Style of investing that emphasizes capital appreciation. A growth portfolio generally includes securities with high levels of real or potential earnings as well as higher risk; lower dividends (because profits are reinvested in the company to drive future growth); and higher price-to-earnings ratios than the overall market.

Indexing Management - An investment style that attempts to closely match the investment returns of a specified group of shares, bonds or other securities, usually represented by a recognized index. An index manager seeks to construct a portfolio that holds all, or a representative sample of the securities in the index, and closely tracks the investment returns of the target index.

Not a short-term investment strategy, indexing achieves broad diversification within a specific index and low portfolio turnover through what is known as a “buy and hold” approach. One benefit of this approach is a significant reduction in the cost of investing over time, which may lead to better returns.

International Management - An investment style that seeks to include an appropriate mix of stocks and bonds of companies located outside the United States.

Large Caps – Stocks issued by corporations with a market capitalization of \$5 billion or greater.

Life Cycle Funds - A highly diversified **mutual fund** designed to remain appropriate for investors in terms of risk throughout a variety of life circumstances. Accordingly, lifecycle funds automatically alter the asset allocation throughout the life of the fund, so the investor doesn't need to. Although lifecycle funds all share the common goal of first growing and then later preserving principal, they can contain any mix of stocks, bonds, and cash.

Market Capitalization - The market value of a corporation is determined by the current price of its outstanding common stock. Market capitalization is calculated by multiplying the number of shares outstanding by the price of the shares. Therefore, if a company has 10 million outstanding shares and the price per share stands at \$10, the market cap is \$1000 million.

Med Caps – Companies whose capitalization are valued at between 1 billion and 5 billion

Passive Portfolio Management - A method of choosing individual **securities** designed to track a specific benchmark. This management style may have lower operating costs (expense ratio) due to less active trading. See **Active Portfolio Management**

Real Estate Fund - Real estate mutual funds seek capital appreciation and income by investing in equity securities of real estate investment trusts and other real estate industry companies.

Small Caps - Companies whose capitalizations are valued at less than \$1 billion are classified as small capitalization companies.

Stock Fund - A fund that seeks a favorable rate of return through investments in the stocks of various companies.

Value Management – An investment style that seeks out stocks that are considered to be undervalued based on such criteria as their price-to-earnings ratios, price-to-book ratios and dividend yields.

Vendor(s) – The financial investment companies available to Fermilab employees: TIAA-CREF, Fidelity Investments, Dreyfus, and T. Rowe Price