

# Investment Terminology

## Heirs United Investment Club

1. Large Company – Lg Cap
2. Middle Company – Mid Cap
3. Small Company – Sm Cap
4. Mutual Fund Company
5. Growth Fund
6. Equity or Stock Fund
7. Small Company Fund
8. Index Fund
9. Prospectus
10. Standard & Poor's 500 Stock Index
11. Dow Jones Industrial Average—The Dow
12. Aggressive Growth Fund
13. No Load
14. Load
15. Portfolio
16. International Fund
17. Emerging Markets
18. Established Markets
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20. Bear Market
21. Global Fund
22. Bond Fund
23. Risk-return Trade-off
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25. Diversification
26. Mutual Fund Sectors (8)
  - Large Stocks
  - Large Growth Stocks
  - Large Value Stocks
  - Small Stocks
  - Small Growth Stocks
  - Small Value Stocks
  - Foreign Stocks
  - Bonds

## Investment Definitions

1. Large Company – Lg Cap - established corporations with total market values in excess of \$5 billion.
2. Middle Company – Mid Cap - corporations with total market value between \$1 billion to \$4 billion.
3. Small Company – Sm Cap - corporations with total market value of \$500 million to \$1 billion.
4. Mutual Fund Company - an open-end investment company that pools money from individuals and uses it to buy securities such as stocks, bonds, and money market instruments.
5. Growth Fund - a fund that emphasizes stocks of companies believed to offer above averaged prospects for capital growth due to their strong earnings and revenue potential. Growth stocks tend to offer relatively low dividends but are less volatile than their aggressive growth counterparts.
6. Equity or Stock Fund – a fund that invests exclusively or mostly in stocks of companies. Since stocks are also called equities, stock funds are also sometimes called equity funds.
7. Small Company Fund – a fund that primarily buys shares of small companies, typically those with a total stock market value of less than \$1 billion.
8. Index Fund – a fund designed to track the performance of a standard market benchmark such as the Standard & Poor’s 500 stock index.
9. Prospectus – a legal document providing pertinent information about a mutual fund, including discussions of the fund’s investment objectives and policies, risks, costs, past performance, and other information useful to prospective investors.
10. Standard & Poor’s 500 Stock Index – an index of the stocks of 500 large U.S. companies in a variety of industries that are representative of the overall stock market. The S&P 500 is often used as a benchmark to follow the performance of the U.S. stock market overall.
11. The Dow Jones Industrial Average or the Dow is composed of 30 large U.S. industrial companies. The Dow is often used to represent the performance of the overall stock market even though it only contains industrial companies.
12. Aggressive Growth Fund – a fund that shoots for maximum capital appreciation, often by investing in shares of companies whose revenues and profits are growing at a rapid rate.
13. No Load – a mutual fund that charges no sales commission or load.
14. Load – a mutual fund that charges a sales commission, or load, which may be as high as 9% of the amount invested.
15. Portfolio – all to the securities that are held by a mutual fund; also the total investment holdings of an investment club or individual. Used as a synonym for mutual fund.

16. International Fund – a fund that invests in securities issued outside of the U.S., as opposed to a global fund, which invests in U.S. and foreign securities.
17. Emerging Markets – are underdeveloped markets in countries with an unstable economy. These markets offer securities with high gains and great risks. Countries with emerging markets include: China, India, Thailand, Asia, Argentina, Brazil, Chile, and Latin America.
18. Developed Markets - are developed markets in countries with relatively stable economies such as: America, Japan, United Kingdom, France, Germany, and Switzerland.
19. Bull Market – a market where the prices of securities experience an upward increase. Officially a bull market is when the market index is 20% higher than its 12-month low.
20. Bear Market – a market that experiences a downward decline in the price of securities. Some bear markets have lasted 21 months. The average bear market has lasted about 13 months. Officially a bull market is when the market index is 20% lower than its 12-month high.
21. Global Fund – a fund that can invest anywhere around the globe. Unlike, international or foreign funds, global funds will often hold U.S. securities.
22. Bond Fund – a fund that invests in bonds or other debt securities.
23. Risk-Return Trade-off. A key concept in investing is that one has to invest in riskier stock in order to achieve higher returns. In other words, one cannot invest in a safe, blue-chip stock and expect to double their money every year.
24. Diversified Fund – a fund that spreads its holdings among securities of many different companies or, in the case of bonds, different issuers.
25. Diversification – spreading your money among different classes of financial assets and among the securities of many issuers. The major benefit of diversification is that it significantly reduces risk.
26. Mutual Fund Sectors (8)
  - Large Stocks – are represented by the S&P 500
  - Large Growth Stocks – are represented by the S&P/Barra Growth Index.
  - Large Value Stocks – are represented by the S&P 500/Barra Value Index
  - Small Stocks – are represented by the Russell 2000 Index
  - Small Growth Stocks – are represented by the Russell 2000 Growth Index
  - Small Value Stocks – are represented by the Russell 2000 Growth Index
  - Foreign Stocks – are represented by the MSCI EAFE Index Morgan Stanley Country Index East Asian Far East Index)
  - Bonds – are represented by the Lehman Brothers Aggregate Bond Index