**Assets:** Anything owned that is considered to have value. The assets of a mutual fund are made of various securities such as stocks, bonds and cash.

**Alpha:** Used by security analysts representing the amount by which a portfolio’s actual return exceeds or falls short of its expected return. High positive alphas reflect extraordinary performance; negative numbers show under performance.

**Asset Allocation:** The apportionment of investment portfolio to different asset classes such as money-market instruments and bonds and stocks, including appropriate sub-categories.

**Asset Management Company:** It is a corporate until which is approved by SEBI for managing the affairs of the mutual fund and operate the schemes of such fund. Such company shall have a minimum net worth of rupees five crores.

**Active Market:** A market characterized by frequent transactions, narrow bid offers, spread and relatively high volume turnover.

**All or None (AON):** This is one of the special terms conditions. An order with this condition should be matched either with the entire order quantity or none at all.

At the opening (ATO) order: Market order entered during the pre-open period. These orders are priced according to the calculation of the opening price during the pre-open period.

**Auction Market:** The buy/sell auction for a capital market security is managed through the auction market. As opposed to the Normal Market where trade matching is an ongoing process, the trade matching process for auction starts after the act.

**Back-end Load:** A fee charged by a mutual fund from unit-holders at the time of redemption of units.

**Bear Market:** Opposite of Bull Market, when stock prices are falling for an extended period.

**Beta:** A measure of price volatility of a particular stock in relation to the stock market in general. A beta of more than 1 indicates that the stock prices is more volatile and would rise and fall at a faster rate than the market index, while a beta of less than 1 indicates that the stock price would rise and fall at a lower rate than the index.

**Blue Chip:** Highest quality stocks with a long record of earnings and dividend growth. They are the industry leaders.
**Book value:** The worth of a business organization is shown by the value of its shareholder’s equity. If the shareholder’s equity is divided by the No. of shares outstanding we get the book value per share, often referred to as Book value. The book value of a good company is usually less than the market value.

**Bull Market:** Opposite of bear market, when stock prices are rising for an extended period.

**Bond:** A debt security in the form of a loan. The bond-holders receive interest at a fixed rate for a fixed period.

**Base Price:** The price of a security at the beginning of the trading day which is used to determine the day minimum/maximum and the operational ranges for that day.

**Capitalization:** The total market value of a firm, used as a measure of size. It is determined by multiplying the current prize by the number of shares outstanding. A firm with 15 lakhs trading at Rs. 100 each would have a Rs. 15 crore market capitalization..

**Close-Ended Funds:** A mutual fund whose amount of capital is relatively fixed. No new shares are normally issued except for reinvestment purposes. Fund shares are traded on a national exchange or over the counter market in the same manner as do operating corporations. Or a mutual fund with limited capitalization and a fixed number of units traded at a stock exchange.

**Custodian:** An organization which legally holds investment instruments for safekeeping.

**Commission:** A percentage rate of the value of units that is paid to agents through whom the units are sold (by a mutual fund) and bought by unit-holders. The charge is included in the prices of units.

**Closing price:** The trade price of a security at the end of a trading day. Based on the closing price of the security, the base price at the beginning of the next trading day is calculated.

**Counter party:** When a trading member enters an order, any other trading member.

**Diversification:** An investment strategy to reduce risks by investing in securities, conman stocks, debentures or bonds of several companies.

**Disclosure:** Corporate information (positive and negative) required to be published by a mutual fund as per guidelines of SEBI.
Discount/Premium: The difference between the unit price and the net asset value (NAV) expressed in percentage terms. If the price is higher than the NAV, the units stand at a premium, if the price is lower than the NAV, the units are sold or purchased at a discount.

Dividend: A payment by a company in the form of cash or stocks or units, in respect of mutual funds.

Dividend Yield: The dividend per unit divided by the price per unit expressed as a percentage.

Depository: A system of organization which keeps records of securities deposited by its depositors. The records may be physical or simply electronic records.

Efficient Market: A market where assets sell for what they’re and expectations of all investors and it is futile to look for unvalued shares or to forecast market movements. This theory states that it is impossible to beat the market.

Expense Ratio: The annual expenses of a fund, including the management fee and administrative costs, divided by net assets.

Earnings per shares (EPS): After tax net income of a corporation (or mutual fund) applicable per share (per unit). If there are convertible debentures, EPS is adjusted to account for convertible securities and are called fully diluted earnings.

Equity fund: A mutual fund that invests primarily in common/preferred stocks.

Economy of Scale: As the size of a mutual fund increases there is a reduction of expenses in relation to assets.

Front-End Load: A kind of sale charge that is paid before any amount gets invested into the mutual fund.

Fixed Income Funds: A mutual fund which primarily invests in fixed income securities like bonds and debentures. The objective is to provide monthly or yearly income to investors. Sometimes it also provides targeted income.

Fund: In India fund refers to mutual fund but in USA fund refers to one scheme.

Gilt Fund: A mutual fund specially launched to invest in government gilt securities.

Growth fund: A mutual fund which intends to achieve maximum growth of investment. This type of fund invests all or a very high percentage of money in equities of growth-oriented companies.
**Hedging:** A general term used to describe any of several risk-reduction strategies. A fund manager might practically hedge against a market decline simply by moving a larger fraction of the portfolio into cash.

**Historic Pricing:** Historic pricing is an alternative to forward pricing. In historic pricing units are priced at the last valuation point.

**Index:** Index is a measure of stock price movement on the basis of a particular base year. In India there are several indices, like BSE stock Exchange Index, OTCI Index, RBI Index, FF Index and NSE-50 index.

**Index Fund:** A mutual fund which mirrors the performance of a particular Index. Such a fund invests all or nearly all its funds in stocks listed in a particular exchange and included in the index of that exchange (like BSE sensex or BSE national)

**Inflation:** An increase in price of a commodity/service indicating the declining purchasing power of currency.

**Initial Public Offering (IPO):** First time public offers of securities by a company or units by a mutual fund.

**Initial offer Price:** The price at which units of a new mutual fund scheme are available to the investing public.

**Interest Rate:** The rate of payment expressed in percentage terms, paid by borrowers to tenders.

**Investment Adviser:** An organization or a person which or who renders investment advisory services to investors. Asset management companies are investment advisors to mutual funds.

**Institutional Investors:** Institutions like mutual funds, banks and other financial institutions with large investible funds.

**Junk Bonds:** Speculative bonds with low-grade investment rating.

**Liquidity:** The pace at which financial assets can be converted into cash without substantial change in value. Liquidity is influenced by the investor interest, size, floating stocks and reputation of the management of the company.

**Listed stocks:** Shares or debentures which have met listing norms and are traded in a stock exchange.
**Liquid assets:** The amount of cash or near-cash in a mutual fund’s portfolio which is available for investment or meeting others immediately obligations.

**Load funds:** A mutual fund that charges a fee to cover various expenses, including commission. In India, all except a very few are load funds.

**Leverage:** The use of borrowed money to try to enhance portfolio returns. Leverage is a double-edged sword, however, because it also compounds a portfolio’s volatility. Indian mutual funds cannot enjoy leverage.

**Load Manager:** The member of an underwriting syndicate charged with primary responsibility of managing the affairs of the syndicate and the proposed issue of the security.

**Management Company:** An investment company which undertakes investment management of a mutual fund under an agreement between the trustees of a fund and the management company. Management companies are also called investment advisers.

**Money Market Mutual Fund (MMMF):** A fund that operates in a short-term money market and invests in short-term money market securities like certified of deposits, commercial papers, government, short-term securities and call money market.

**Market Timing:** The shifting of assets by fund manager between equity and a money fund in an effort to avoid or minimize losses when prices are expected to fall.

**Mutual Fund:** A firm established in the form of a trust by a sponsor to raise monies by trustees through the sale of units issued by the public under one or more schemes for investing in securities and redeeming the units at NAV or listing units in stock exchanges.

**Market:** The set of actual of potential users/customers. (Kotter).

**Market area:** A geographical area containing the customers/users of a particular firm/Library for specific goods or services.

**Market Demand:** The total volume of a product or service bought/used by a specific groups of customers/users in a specified market area during a specified period.

**Market positioning:** Positioning refers to the user’s perceptions of the place a product on brand occupies in a market segment or how the company/Library’s offering is differentiated from the competition’s.
Market Segmentation: The process of subdividing a market into distinct subsets of users that behave in the same way or have similar needs.

Market share: A proportion of the total sales/use in a market obtained by a given facility or chain.

Marketing opportunity: An attractive area of relevant marketing action in which a particular organization is likely to enjoy a superior and competitive advantage (kotter) marketing plan. A document composed of an analysis of the current marketing situation, opportunities and threats, analysis, marketing objectives, marketing strategy, action programs, and projected income statement.

Nominal Scale: A measurement scale in which numbers are assigned to attributes of objects or classes of objects solely for the purpose of identifying the objects.

Non Profit marketing: The marketing of a product or service in which the offer itself is not intended to make a monetary profit for the marker.

Net Asset Value (NAV): The price or value of one unit of a fund. It is calculated by summing the quoted values of all securities held by the fund, adding in cash and any accrued income, then subtracting liabilities and dividing the result by the number of units outstanding. Funds compute the NAV at different time intervals ideally once a day based on closing market prices.

Net Assets: The total value of a fund’s cash and securities less its liabilities or obligations.

Offer Document: It is a document issued giving required details of a mutual fund scheme. It gives details about trustees, AMC, investment objectives, fee chargeable, tenure of scheme, financial data of already launched schemes by the MAC. It is to be vetted by SEBI before it is issued.

Open-Ended scheme: Means a scheme of mutual fund which is offering for sale or has outstanding any redeemable units and which does not specify any duration for redemption or repurchase of units.

Portfolio: A group of securities held together. The term can also be used as a synonym for mutual fund.
**Premium:** What a closed-end fund is said to be trading at when the per share price of that fund amounts to more than the actual NAV of the securities that make up that fund’s portfolio.

**Prospectus:** The official document issued by mutual funds prior to the launch of a fund describing about the characteristics of the proposed fund to all its prospective investors. The prospectus contains information required by the securities and Exchange Board of India, such as investment objective and policies, services, and fees. Individual investors are encouraged to read and understand the fund’s prospectus.

**Price Earnings Ratio (P/E):** The price of a stock divided by its earnings per share. PIEs are also computed for individual funds as well as for market indexes.

**Par Value:** Face value of a share or unit.

**Pure Non-Load Mutual Fund:** A mutual fund that has neither front nor back load.

**Risk Premium:** Some investors are willing to accept a certain degree of risks subject to adequate compensation, therefore they demand more premium (over risk-free return) for undertaking more risks. The higher the risk the higher the risk premium they demand.

**Risk-averse investors:** Investors who usually avoid any type of risk while investing, they are more concerned about the safety of capital and willing to accept lower returns. They may accept a low level of risk given adequate expected returns.

**Risk-free rate of return:** The returns on a risk less asset. Usually, government bonds or gilts are considered risk-free assets and investment returns on such assets are considered to be risk less.

**Redemption fee:** A charge paid while selling a fund, unlike the contingent deferred sales charge, a redemption fee is usually fixed at a low rate. This kind of fee is relatively uncommon.

**Redemption Price:** The price you receive when you sell your fund units. It equals NAV less any redemption fee.

**Reinvestment Risk:** A danger, faced by bond and bond-fund investors, that coupon payments must be reinvested at successively lower rates. Zero-coupon bonds and target-maturity funds avoid this risk, which is most prevalent when interest rates are declining.
Registrar: The institution that maintains a registry of shareholders of a fund and their share ownership. Normally the registrar also distributes dividends and provides periodic statements to shareholders.

Return: A statistical measure of the performance of a fund, overtime. It comprises the results of (a) reinvestment of capital gains in shares, (b) reinvestment of income dividends, and (c) increase or decrease in net asset value resulting from the market value of shares.

Sensex: 30 scrips’ based stock exchange index-based 1978-79=100.

Sharpe Ratio: A technique used by analyst to measure risk-adjusted performance calculated by dividing the excess return of a portfolio above the risk-free rate by its standard deviation.

Sponsor: It is a body corporate which acting above or in combination with another body corporate established a Mutual Fund after initiating and completing formalities thereafter.

Sport Market: This is a market in which shares or commodities are sold for cash and delivered immediately.

Spread: Generally the difference between any two prices such as the difference between the sale and repurchase of units, or bid and ask price.

Standard deviation: A statistical tool measuring variances like month-to-month ups and downs of a fund’s returns.

Systematic risk: Known also as market risk, this is associated with the movement of the overall market. If the overall market declines, the value of the portfolio is likely to decline. Diversification does not help, but hedging is effective.

Sector-fund: Also called sector-specific mutual fund, which invests in companies belonging to a particular industry. e.g. computers, fertilizer, metal.

Sale Price: Is the price you pay when you invest in a scheme. Also called offer price. It may include a sales load.

Stock invest: Sebi had suggested a ‘cheque like instrument’ called ‘stock invest’ for subscription to public issues. State Bank of India first introduced it in March 1992. Stock invest was essentially a letter of authority-cum-cheque, which the payee could encash for the authorized or a reduced sum, based on actual shares allotted to the investor.
**Total Return:** Total return is a performance indicator of a mutual fund. This includes changes in the value of investment plus dividend and capital gains, and is expressed in percentage terms.

**Trust Deed:** A legal document drawn between the trustees and fund managers of a mutual fund.

**Trustees:** Those who hold the property of Mutual Funds in trust for the benefit of the unit holders. For mutual funds in India trustee is to be a corporate body.

**Turnover:** The extent to which the fund’s portfolio is turned over during the course of a year. High turnover results in greater investment expenses and therefore in an erosion of the value of share assets.

**Unit:** It represents the interest of the investors in a Mutual fund scheme which consists of each unit representing one undivided share in the assets of a scheme.

**Underwriter:** The organization that acts as the distributor of mutual funds share to broker/dealers and investors.

**Value Investing:** A popular style of analysis that focus on finding under priced securities. In contrast to growth investors, value investors try to buy shares selling for low multiples of earnings, book value or other yardsticks.

**Yield:** Distributions from investment income, usually expressed as a percentage of net asset value or market price. Unlike total return, yield has the single component of investment income and does not include capital gains distributions or capital appreciation or underlying shares.

Or

Income on any investment expressed in terms of percentage.