Glossary

**Alpha**
It is the amount of excess returns earned which is not attributed to the market.

**Asset Management Company**
It is an entity which floats and manages the assets of a mutual fund.

**Assets under Management (AUM)**
It is the market value of the assets owned by a fund.

**Balanced Funds**
It is type of mutual fund which invests in both equity and debt securities.

**Benchmark**
It is something against which performance can be compared.

**Beta**
It is an indicator of systemic risk involved in an asset.

**Business Risk**
It is a type of un-systemic risk caused by variability of returns of a business due to multi- various factors.

**Close ended Fund**
It is a type of mutual fund with a prefixed tenure and which restricts subscription and redemption.

**Compounded Annual Growth Rate (CAGR)**
It is the compounded annual returns earned by a fund.

**Credit Risk**
It is a type of un-systemic risk caused by the default of the borrowing entity to repay the principal or interest on time.

**Debt Mutual Fund**
It is a type of mutual fund which invests a substantial portion of its assets in interest earning securities.

**Diversification**
It is the process of reducing risk by investing in a wide range of securities.
Diversified Equity Funds

It is a mutual fund which invests its assets in equity shares and related securities of a wide range of industries and sectors.

Dividend Option

It is a strategy to enable receipt of gains as and when made by the fund.

Entry Load

It is the amount of charges to be paid by the investor while investing into a fund.

Equity Linked Savings Scheme (ELSS)

It is a type of Diversified Equity Fund which provided tax benefit for the amount invested in a financial year.

Equity Mutual Fund

It is a type of mutual fund which invests a substantial portion of the assets in equity shares and related securities.

Exit Load

It is the amount of charges to be paid by the investor while exiting out of a fund.

Ex post Return

It is the amount of past returns earned on an asset for a particular period of time.

Exchange Traded Fund (ETF)

It is a type of mutual fund which can be bought (post issue) and sold only through a stock exchange.

Financial Year

It is the period of 12 months starting from 1\textsuperscript{st} April and ending on 31\textsuperscript{st} March.

Gilt Funds

It is a type of debt mutual fund which invests its asset in Government Securities.

Growth Funds

It represents equity funds.

Growth Option

It is a strategy to create long term capital appreciation.

Income Funds

It represents debt funds.
Jensen’s Alpha
It is the amount of excess returns earned by a fund, attributed to the ability of the fund manager.

Liquid Funds
It is a type of mutual fund which invests its assets in money market instruments.

Liquidity Risk
It is a type of un-systemic risk caused by the inability of the asset being converted into cash without loss of time and value.

Lock in Period
It is the amount of time during which the invested amount cannot be withdrawn.

Market Index
It is a barometer of the market represented by a portfolio of stocks.

Mutual Funds
It is a type of collective investment which pools money from a number of investors and invests them into securities based on the objective.

Net Asset Value (NAV)
It is market value of a unit in a mutual fund derived from dividing the net assets by the total units of the fund.

Open ended Funds
It is a type of mutual fund with no fixed tenure and is open for continuous subscription and redemption.

Portfolio
It is a collection of assets.

Sharpe Ratio
It is the amount of risk premium earned by the asset for undertaking a unit of total risk.

Sector Funds
It is a type of equity mutual fund which invests its assets in equity shares and related securities of one particular industry or sector.

Sortino Ratio
It is the amount of risk premium earned by the asset for undertaking a unit of down side risk.
**Systematic Investment Plan (SIP)**

It is the strategy of investing a fixed amount of money into a fund at regular intervals over a period of time.

**Systemic Risk**

It is that risk which is caused by macro factors and cannot be eliminated by diversification.

**Systematic Transfer Plan**

It is the strategy of transferring fixed amount of money from one fund to another at regular intervals over a period of time.

**Systematic Withdrawal Plan (SWP)**

It is the strategy of withdrawing from a fund a fixed amount of money at regular intervals over a period of time.

**Tax Deduction**

It is a tax incentive which allows the eligible amount to be deducted from the total income for the year.

**Tax Exemption**

It is tax incentive provided on the returns earned on specified assets on which there is no implication of tax.

**Tax Rebate**

It is a tax incentive in the form of allowance given on the amount of tax payable.

**Treynor Ratio**

It is the amount of risk premium earned by the asset for undertaking a unit of market risk.

**Un-systemic Risk**

It is that risk which is caused by micro factors and the effect of which can be eliminated by diversification.