

## **GLOSSARY OF TERMS**

### **ALPHA**

The alpha is an estimate of investment performance adjusted for risk where beta is used as a measure of risk. A positive alpha indicated that the fund has earned, on average, a premium above that expected for the level of market risk (beta), and a negative alpha indicates a return lower than expected for the level of market variability.

### **BETA**

The beta is a measure of volatility of investment performance or sensitivity of the portfolio to market moves. A portfolio with a beta of 1.00 is equally as volatile as the market; a portfolio with a beta of 0.50 is half as volatile; and a portfolio with a beta of 1.50 is one-and-a-half times as volatile.

### **BALANCED INDEX**

The Balanced Index is a combination of indices with each individual index representing an asset class (e.g. Equities = S&P 500; Small Capitalization Equities = Russell 2000; International Equities = EAFE; Bonds = LB Intermediate Government/Corporate; Cash = 30 day T-Bills). The proportion of each index represents the same proportion as the weighting of each asset class.

### **CONSUMER PRICE INDEX**

The Consumer Price Index represents the cost of living of consumers.

### **DONOGHUE MONEY MARKET INDEX**

The Donoghue Money Market Index is an index of money market mutual funds based on their 30 day yields

### **DOW JONES AIG COMMODITY INDEX (DJ-AIGCI)**

The Dow Jones AIG Commodity Index (DJ-AIGCI) is composed of futures contracts on 20 physical commodities. Designed to be a highly liquid and diversified benchmark for commodities as an asset class. Weights of the DJAIGCI are adjusted once a year.

## **EUROPE, AUSTRALIA, FAR EAST INDEX (EAFE)**

The EAFE Index is an arithmetic average weighted by market value of the performance of approximately 900 securities listed on the stock exchanges of Europe, Australia and the Far East. It is calculated on a total return basis, which includes reinvestment of gross dividends before deduction of withholding taxes.

## **JP MORGAN EMBI GLOBAL DIVERSIFIED**

The JP Morgan EMBI Global Diversified currently covers 27 emerging market countries. Included in the index are U.S. dollar denominated Brady bonds, Eurobonds, traded loans, and local market debt instruments issued by sovereign and quasi-sovereign entities. The index will only include emerging market issues denominated in U.S. dollars, with a minimum current face value outstanding of US\$500 million and at least 2 years to maturity. The index limits the weights of those index countries with larger debt stocks by only including a specified portion of these countries' eligible current face amounts of debt outstanding.

## **LEHMAN BROTHERS INTERMEDIATE GOVERNMENT/CREDIT INDEX**

The Lehman Brothers Intermediate Government/Corporate Index consists of all public intermediate government and corporate debt. The average maturity is four (4) years.

## **PEER GROUP DATABASES:**

### **Plan Sponsor Network by Effron**

In 1984, EFFRON introduced the first investment manager search and evaluation database – Plan Sponsor Network, or PSN. PSN is an advanced software application offering investment professionals high quality, in-depth data on domestic and global investment managers. PSN provides access to high-quality, detailed information on more than 1,600 investment organizations and 6,600 composites- their people, products, accounts, fee structure, management styles, philosophy, and historical returns and statistics.

### **Morningstar Principia Pro by Morningstar**

Chicago-based Morningstar, Inc. is a global investment research firm, offering an extensive line of products and services for individuals, financial advisors, institutions, and the media. Morningstar provides information, data, and analysis of stocks, mutual funds, exchange-traded funds, closed-end funds, and variable annuity/life subaccounts.

### **Conservative Allocation Category**

Conservative-allocation portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios tend to hold smaller positions in stocks than moderate-allocation portfolios. These portfolios typically have 20% to 50% of assets in equities and 50% to 80% of assets in fixed income and cash.

### Foreign Large Blend Category

Foreign large-blend portfolios invest in a variety of big international stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios typically will have less than 20% of assets invested in U.S. stocks.

### Intermediate-Term Bond Category

Intermediate-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of 3.5 to six years (or, if duration is unavailable, average effective maturities of four to 10 years). These portfolios are less sensitive to interest rates, and therefore less volatile, than portfolios that have longer durations.

### Large Growth

Large-growth portfolios invest in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.

### Large Value

Large-value portfolios invest primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

### Mid-Cap Growth

Some mid-cap growth portfolios invest in stocks of all sizes, thus leading to a mid-cap profile, but others focus on midsize companies. Mid-cap growth portfolios target U.S. firms that are projected to grow faster than other mid-cap stocks, therefore commanding relatively higher prices. The U.S. mid-cap range for market capitalization typically falls between \$1 billion - \$8 billion and represents 20% of the total capitalization of the U.S. equity market. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

### Mid-Cap Value

Some mid-cap value portfolios focus on medium-size companies while others land here because they own a mix of small-, mid-, and large-cap stocks. All look for U.S. stocks that are less expensive or growing more slowly than the market. The U.S. mid-cap range for market capitalization typically falls between \$1 billion - \$8 billion and represents 20% of the total capitalization of the U.S. equity market. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

### Moderate Allocation Category

Moderate-allocation portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios tend to hold larger positions in stocks than conservative-allocation portfolios. These portfolios typically have 50% to 70% of assets in equities and the remainder in fixed income and cash.

### Short-Term Bond Category

Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of one to 3.5 years (or, if duration is unavailable, average effective maturities of one to four years). These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations.

### Small Blend

Small-blend portfolios favor U.S. firms at the smaller end of the market-capitalization range. Some aim to own an array of value and growth stocks while others employ a discipline that leads to holdings with valuations and growth rates close to the small-cap averages. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

### Small Growth

Small-growth portfolios focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. These portfolios tend to favor companies in up-and-coming industries or young firms in their early growth stages. Because these businesses are fast-growing and often richly valued, their stocks tend to be volatile. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

### Small Value

Small-value portfolios invest in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

## **R<sup>2</sup> ("R-SQUARED")**

R<sup>2</sup> represents that portion of the total variability in portfolio returns that is accounted for by variability in the market returns; R-squared ranges from 0 to 100%.

## **RUSSELL 1000 GROWTH INDEX**

Market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 includes the largest 1000 firms in the Russell 3000, which represents approximately 98% of the investable US equity market.

## **RUSSELL 1000 VALUE INDEX**

Market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 includes the largest 1000 firms in the Russell 3000, which represents approximately 98% of the investable US equity market.

## **RUSSELL 1000 INDEX**

Consists of the 1000 largest companies within the Russell 3000 index. Also known as the Market-Oriented Index, because it represents the group of stocks from which most active money managers choose. The returns are total returns, which include reinvestment of dividends.

## **RUSSELL 2000 GROWTH INDEX**

Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 3000 Index represents 98% of the of the investable US equity market.

## **RUSSELL 2000 VALUE INDEX**

Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 3000 Index represents 98% of the of the investable US equity market.

## **RUSSELL 2000 INDEX**

Consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization. The returns for the index are total returns, which include reinvestment of dividends.

## **RUSSELL 3000 INDEX**

Composed of the 3000 largest U.S. companies by market capitalization, representing approximately 98% of the U.S. equity market. The returns for the index are total returns, which include reinvestment of dividends.

## **RUSSELL MID CAP GROWTH INDEX**

Measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth Index.

## **RUSSELL MID CAP VALUE INDEX**

Measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value Index.

## **RUSSELL MID CAP INDEX**

Measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index. As of the latest reconstitution, the average market capitalization was approximately \$4.0 billion; the median market capitalization was approximately \$2.9 billion. The largest company in the index had an approximate market capitalization of \$12 billion.

## **STANDARD DEVIATION**

Standard Deviation is a statistical measure of risk reflecting the extent to which rates of return for a portfolio or market index have varied from period to period and gauges the dispersion of monthly returns around the average returns.

## **STANDARD & POOR'S 500 INDEX**

A market capitalization-weighted index of 500 widely held stocks. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid-1989, this composition has been more flexible and the number of issues in each sector has varied.

## **TOTAL TIME-WEIGHTED RATE OF RETURN**

Total Time-Weighted Rate of Return is a measure of investment performance of the fund's manager, independent of timing and magnitude of contributions to, or withdrawals from, the fund. This method allows the plan sponsor to evaluate the investment manager solely on his/her performance since it eliminates the effect of factors that are not under the manager's control (that is, cash flow).

## **TOTAL RETURN**

Total Return is a measure of total investment performance resulting from both realized and unrealized gains and losses and reinvestment of dividend and interest income.

## **U.S. TREASURY BILL INDEX**

The U.S. Treasury Bill Index is based on the average monthly yield of Treasury Bills maturing in 30 days.