

ABSOLUTE RETURN STRATEGIES (ASSET)	Investment strategies that are typically created by investing in assets to provide returns which are independent of public capital market directions.
ACTIVE MANAGEMENT	An investment strategy used by management with the goal of outperforming an industry benchmark or index.
ACTUARIAL ASSUMPTIONS	In relation to pension plans, these assumptions (or estimates) are made for the purposes of calculating benefits, taking into account variables including life expectancy, return on investments, interest rates, and compensation. By calculating the possible payout of benefits, the actuary can determine what contributions are required and what amount the pension plan's sponsor should set aside as readily available cash.
ACTUARIAL VALUATION	A valuation carried out by an actuary, on a regular basis, to determine a pension plan's ability to meet its future benefit obligations. It also provides an estimate of the plan's funding position by comparing the value of the pension fund's assets with its liabilities.
ACTUARY	A professional advisor or entity whose responsibility is to evaluate present and future pension liabilities in order to determine the financial condition of a pension plan, by following recognized actuarial methods as established by the Canadian Institute of Actuaries.
ALPHA	The value-added investment performance of a security or portfolio above the benchmark index. (See BETA)
ALTERNATIVE INVESTMENTS (ASSET)	Investments which are expected to have only modest correlations with traditional public equity or fixed income investments. These investments are expected to provide portfolio diversification benefits and typically include real estate, infrastructure, absolute return strategies and private equity investments.
ANNUAL RATE OF RETURN	The return of an investment over a 12-month period.
ANNUALIZED RATE OF RETURN	The return of an investment for a given period of less than one year that is calculated as if the rate were for a full year.
ASSET	An investment of economic value owned by an investor. For example, public stocks, bonds, and real estate investments would all be considered financial assets.
ASSET ALLOCATION	The proportion of each investment asset class, such as equities, bonds, short-term assets, etc., that could comprise an investment portfolio.
ASSET CLASS	A group of investment assets with similar expected performance and risk characteristics.

AUDITED FINANCIAL STATEMENTS	Financial statements that bear the report of independent auditors attesting to the financial statements' fair presentation and compliance with generally accepted accounting principles.
BASIS POINT	One basis point is equal to 1/100 th of a percent expressed as 0.01%. 100 basis points is equal to 1%.
BEAR MARKET	A time when stocks are decreasing in value and the investment outlook is negative.
BENCHMARK	An industry standard against which rates of return can be measured, such as equity and bond market indices developed by stock exchanges and investment dealers.
BENEFICIARY	The person or persons who receive benefits from a trust, will or insurance policy.
BENEFIT	A payment or gift made by an employer, an estate or an insurance company.
BENEFITS ACCRUAL RATE	The rate that is calculated for the accumulation of pension benefits.
BETA	A measure of the volatility of a stock or portfolio compared to the market index. A market index has a beta of one (1). A stock or portfolio with a beta greater than one has a higher volatility than the index. Conversely, a stock or portfolio with a beta that is lower than one has a lower volatility than the market.
BI-ANNUAL	Happening twice a year.
BIENNIAL	Happening every two years.
BLUE CHIP	Large market capitalization companies that are deemed financially sound.
BOARD OF TRUSTEES	An appointed or elected group of individuals that has overall responsibility for the oversight of the management of an organization. The Board of Trustees is typically the governing body of an organization and seeks to ensure the best interest of stakeholders in all types of management decisions.
BOND (ASSETS)	Debt security that pays the investor a fixed rate of interest during the term of the loan and to return the principal or face value when the loan matures. The following are types of debt securities that can be purchased: <ul style="list-style-type: none"> • government bonds (bonds sold by national, provincial/state and municipal governments); • corporate bonds (bonds sold by private sector companies); and • real return bonds (bonds which have a portion of their payment obligation tied to the rate of inflation). See also Fixed Income.
BOND YIELD	The amount of return realized on a bond. (See Nominal Bond Yield)

BOTTOM-UP	An investment analysis based on a company's details (management, finances) rather than on the economy, industry or market conditions.
BULL MARKET	A time when stocks are increasing in value and the investment outlook is favourable.
BUSINESS CONTINUITY PLAN	Set of documents, instructions, and procedures which enable a business to respond to accidents, disasters, emergencies, and/or threats, without any stoppage or hindrance in its key operations. Also called business resumption plan, disaster recovery plan, or recovery plan.
CAPITAL MARKET	The market in which stocks and bonds are traded (bought and sold).
CAPITALIZATION-WEIGHTED INDEX	An index of stocks weighted according to their market capitalization value (number of shares outstanding multiplied by the market price).
COMMODITIES	Assets of value, of uniform quality, that are produced in large quantities by many different producers. Generally, these are basic resources and agricultural products such as iron ore, crude oil, gasoline, natural gas, coal, ethanol, salt, sugar, coffee beans, soybeans, aluminum, rice, wheat, gold and silver.
COMMON STOCK	Securities of equity ownership in a company.
COMPLIANCE	Procedures undertaken at regular intervals or on an on-going basis to ensure internal and external controls and regulations are satisfied.
CPI (CONSUMER PRICE INDEX)	An indicator of inflation. CPI measures the cost of goods and services over a specific period of time. CPI is thought to frequently influence the change in interest rates.
COLA (COST OF LIVING ADJUSTMENT)	An increase in payments or wages that compensates for the loss of purchasing power of money due to inflation.
CONTRIBUTION RATE	The amount that is paid by the employer and/or the employee into a pension fund.
COUNTERPARTY (EXPOSURE)	The customer, bank, or securities dealer with whom an investment or derivatives transaction is conducted.
COUPON	The interest rate attached to a bond when it is issued.
CPP (CANADA PENSION PLAN)	A monthly, taxable benefit that is paid as income upon retirement or as early as the age of 60.
CREDIT SPREAD	The difference in yield between two securities due to credit quality.
CRYPTOCURRENCY	A digital (virtual) currency that operates separately from a central bank. Currency is created and spent (exchanged) through encryption techniques. An example is Bitcoin.

CUMULATIVE (RATE OF RETURN)	A total, compounded rate of return covering (generally) more than one year. For example, if a fund earns 15% in the first year, 36% in the second year and -7% in the third year, its cumulative return is 45.45%. Its annual average compound return, by comparison, is 13.3%. It is always advisable to look at the individual annual returns that make up cumulative and compound returns in making judgments about the quality and consistency of returns.
CURRENCY HEDGING	An investment taken to reduce the risk or potential loss arising from the change in the value of the currency of a foreign asset against the Canadian dollar.
CURRENCY OVERLAY	A currency hedging technique aimed at protecting an investor's international currency exposure. Currency hedges are adjusted on a frequent basis, to protect the Canadian dollar value of foreign investments.
CURRENCY RISK	Also called exchange rate risk (FX risk), occurs when there is a change in the value of a foreign currency in which an investment has been made against the domestic currency of the investment portfolio in which the investment is held.
CUSTODIAN	The entity that holds assets in safekeeping and settles security transactions on behalf of the holder of the assets.
DEFINED BENEFIT PENSION PLAN	A pension plan in which the employer and employee contributions, and the pension benefit payments are clearly outlined by a series of rules as determined by the plan.
DEFINED CONTRIBUTION PENSION PLAN	A pension plan in which employer and employee contributions are clearly outlined by a series of rules as determined by the plan. Pension benefit payments are typically highly contingent on the long-term investment performance of the plan.
DERIVATIVES	A generic term used to describe a financial instrument or contract derived from some other asset or index, executed between two counterparties. Examples are financial futures or option contracts that may be negotiated privately or be listed on a recognized securities exchange.
DISCOUNT RATE	The rate at which an asset's cash flows are discounted to determine its present value. In a Pension Fund, the assumed, net investment rate of return that the Pension Fund needs to conservatively earn over the long-term. The discount rate in a Pension Fund is set by the Plan's independent actuary and is typically found in the fund's investment policy.
DISCRETIONARY	Left to a person's discretion, freedom and authority to make decisions or choices. A discretionary investment account allows an investment manager to buy and sell securities without the client's consent for each trade. The client can direct the trading activity as described in the investment policy.

DIVERSIFICATION	A portfolio strategy used to reduce (diversify) investment concentration risk by investing in different assets and asset classes.
DIVIDEND (YIELD)	A stock (bond) payment paid by a company to its shareholders.
DUE DILIGENCE	The detailed review and analysis of an investment opportunity to consider if it will meet investment objectives. Also, the oversight of a portfolio to ensure it complies with securities laws.
DURATION	A measure of a fixed income asset's (bond's) price sensitivity to changes in interest rates.
EMERGING MARKETS	Markets in countries that are considered underdeveloped and with less liquid investment environments compared to developed countries.
EQUITIES	Investment securities that represent an ownership interest in an asset such as shares in a company or real estate.
EQUITY MARKETS	An organized exchange where equity securities are traded, also known as stock markets.
ESG (RESPONSIBLE INVESTING)	Environmental, social and governance (ESG) issues that are considered in an effort to understand, manage and mitigate investment risks.
ETF (EXCHANGE TRADED FUND)	A unit or share of a pool of assets that trades on an organized exchange.
FAIR VALUE	The market value of an asset (or liability) based on the market where the funds are traded on the date reported.
FAQ	Frequently Asked Questions
FIDUCIARY / TRUSTEE	A person or entity who is legally entrusted with the property (assets) of another person or group of persons (party), required to prudently place the best interests of the party above its own at all times when managing all aspects of the property/assets. Also called a "Trustee".
FIDUCIARY DUTY	The legal responsibility of a fiduciary to conduct themselves with the highest standards of integrity, honesty, independence, fairness, openness and competence when acting for or on behalf of a party. For example, a pension plan trustee holds a fiduciary duty to the pension plan and its members and beneficiaries.
FIXED INCOME (ASSETS)	<p>An asset class comprising securities that pays a specific interest rate, such as a bond or money market instrument. They obligate the borrower to pay the owner a fixed rate of interest during the term of the loan and to return the principal or face value when the loan matures. This asset class includes:</p> <ul style="list-style-type: none"> • government bonds (bonds sold by national, provincial/state and municipal governments); • corporate bonds (bonds sold by private sector companies); and • real return bonds (bonds which have a portion of their payment obligation tied to the rate of inflation). <p>(See Bonds)</p>

FUNDAMENTAL ANALYSIS	An assessment of a company or security based on measurable factors such as its balance sheet and income statement. (See Investment Risk)
FUNDED STATUS	Compares the estimates of assets to the liabilities in a pension plan to ensure the plan is funded to make all future payment obligations to retirees.
FUNDING POLICY	The decision framework created to help ensure a pension plan maintains a fully funded status.
GOVERNANCE	A generic term which describes the ways in which rights and responsibilities are shared between various stakeholders. For corporate governance, the rights and responsibilities are generally shared between the governing board, management and shareholders. For pension plan governance, the rights and responsibilities are shared between the Plan Sponsor / Parties and the Trustee(s).
GROSS INVESTMENT RETURN	The return before fees, such as investment management fees, are deducted. (See MER)
HEDGE	An investment used to reduce the risk of a current investment or portfolio.
INFLATION-LINKED ASSETS	An asset that is expected to provide a return that is highly correlated to the rate of inflation. Investments in real return bonds, real estate and infrastructure are such assets.
INFRASTRUCTURE	Assets which provide essential physical facilities or services to a community or business, such as transportation, communication, sewage, water, and electric systems. They are typically long-life assets which have some type of inflation link to their investment return profile. (See Inflation-Linked)
INTEREST RATE RISK	The risk that interest rates will rise (fall) and reduce (increase) the market value of an investment.
IRR (INTERNAL RATE OF RETURN)	The rate at which an investment's future cash flows, discounted to today, equal its price. Also, a performance measure typically used in private equity, real estate and infrastructure.
INVESTMENT RISK	The risk of potential loss, relative to the expected return, due to exposure to non-fundamental measures, such as market, credit, counterparty, liquidity and country risks.
KPI (KEY PERFORMANCE INDICATORS)	Parameters created to set goals, typically in an organization.
LEVERAGE	The borrowing of funds to make an investment. Leverage can increase the risk exposure in an investment.
LIQUIDITY RISK	The risk that a company will not be able to meet its obligations without incurring significant loss.

LOW VOLATILITY EQUITY (ASSETS)	An investment strategy which uses public equity assets to build a portfolio that is expected to provide similar long-term investment returns to Public Equity portfolios but with less risk.
LTD (LONG TERM DISABILITY) INSURANCE	An insurance policy that protects an employee from loss of income if he or she is unable to work due to illness, injury, or accident for a long period of time.
MER (MANAGEMENT EXPENSE RATIO)	The total fee amount, expressed as a percentage of assets managed, that an investment manager charges for the management of a security or portfolio of assets. Investment results may be quoted with and /or without the MER.
MARKET CAPITALIZATION	The total value of a firm’s outstanding shares (market price per share multiplied by the total shares outstanding).
MARKET NEUTRAL STRATEGY	An investment strategy that is deployed using public equity securities, however, is designed to provide returns independent of the direction of public equity markets. Similar to the Absolute Return Strategies.
MOMENTUM	The tendency of a security to continue to move in one direction.
NET INVESTMENT RETURN	The return after fees, such as investment management fees, are deducted. (See MER)
NOMINAL BOND YIELD	The yield on a bond determined from the amount of scheduled interest coupon payments, the maturity value, and the current trading value.
NOMINAL RATE OF RETURN	The rate of return on an investment without adjusting for inflation.
NOMINAL RETURN	A type of rate of return on an investment that is expressed as a percentage of the total amount invested.
OAS (OLD AGE SECURITY)	A monthly payment available to seniors aged 65 and older who meet the Canadian legal status and residence requirements.
OPTIMIZATION	The construction of a portfolio to minimize risk while maximizing return.
PASSIVE INVESTMENT MANAGEMENT	An investment strategy with the goal to track an investment index’s performance.
PBA (PENSION BENEFITS ACT)	A government act created to regulate employee pension plans.
PENSIONABLE EARNINGS	Earnings that qualify an employee to contribute to a pension plan through deductions on their salary and contributions paid by the employer.
POOLED FUNDS	A fund in which multiple investors contribute assets and hold them as a group. A common example of a pooled fund is a unit trust fund.
PORTFOLIO	A group of investments and financial instruments that are grouped together for specific investment purposes.

POWER OF ATTORNEY	A legal document that gives someone you trust (e.g. an attorney) the right to make decisions for you if something happens and you are no longer able to look after matters on your own.
PRIME RATE	The loan rate given to the most credit worthy borrowers by commercial banks. Typically used as a measure against which other interest rates are quoted.
PRIVATE EQUITY (ASSETS)	Equity investments in companies that are not publicly traded on a recognized stock exchange. Private equity is a type of Alternative Investment asset.
PRIVATE MARKETS	Investment assets that are not readily traded through public trading systems or exchanges.
PROXY	A written authorization to act on another's behalf to vote at a company's annual meeting.
PUBLIC EQUITY (ASSET)	Equity investments in companies that are typically subject to the reporting requirements of a national regulatory body and are publicly traded on a stock exchange. This asset class includes: <ul style="list-style-type: none"> • Canadian equity (Canadian companies, also called domestic equity); and • international equity (companies outside of Canada, including the United States, Europe, and Asia).
QUALITATIVE ANALYSIS	The determination of a value of an investment by considering its non-numeric characteristics such as management strength, brand value and loyalty.
QUANTITATIVE ANALYSIS	The determination of a value of an investment by considering its numeric characteristics such as revenues, earnings and margins.
RATE OF RETURN	The return on investment calculated by dividing the investment income and any capital received by the amount invested.
REAL ESTATE (ASSETS)	Investments in physical buildings or land holdings which typically receive regular rental payments and may be subject to longer-term value appreciation. They are typically long-life assets which have some type of inflation link to the investment return profile. See also Inflation-Linked
REAL RETURN	The return on an investment determined by subtracting the rate of inflation from the nominal return, usually for a specific measurement period.
RRSP (REGISTERED RETIREMENT SAVINGS PLANS)	A retirement savings plan registered in an individual's name. It functions as an investment vehicle where contributions typically accumulate tax free and are taxed at the marginal rate at the time of withdrawal.
RISK	The variability of investment returns, either in absolute terms or versus a benchmark.

RISK MANAGEMENT FRAMEWORK	A series of well-defined independent risk management systems and processes within various business teams. The process typically involves the participation a company’s Board of Directors, management, and external service providers.
RISK TOLERANCE	The amount of risk able to be taken to achieve the investment target(s).
RISK-OFF ENVIRONMENT	A contracting or slowing economic environment in which investors accept less risk and invest in less risky assets.
RISK-ON ENVIRONMENT	An optimistic economic environment in which investors will accept more risk and invest in riskier assets.
RISK PREMIUM	The extra yield required to compensate investors for any additional risk inherent in an investment.
SECURITIES LENDING	The loan of securities by an investor to another party in exchange for collateral and to generate income.
SHARED RISK PLAN	Also referred to as a Target Benefit Plan. A pension plan that shares the plan’s funding costs between employer and employees based on periodic risk management considerations. Employee benefit payments may also be subject to risk management considerations.
SHORT-TERM ASSETS	A security that generally matures in one year or less.
SMALL CAP	A company with a market capitalization of ≤\$1B. A small cap stock is considered to be more vulnerable to economic conditions and therefore greater price fluctuations than large capitalization stocks.
SOCIAL INSURANCE NUMBER	A nine-digit number required for an individual to work in Canada and to access government programs and benefits.
STAKEHOLDERS	A person, group, organization, or system that affects or can be affected by an organization's actions.
STANDARD DEVIATION	In an investment, standard deviation is a statistical measure of distribution of returns to determine an investment’s risk. A high standard deviation indicates high price fluctuation and potentially higher risk.
SIPP (STATEMENT OF INVESTMENT POLICY AND PROCEDURES)	A legal document that outlines the investment policies and procedures of a fund.
STOCHASTIC	Refers to a process that is randomly determined. In financial markets, stochastic processes present data and predict outcomes determined by levels of unpredictability or randomness.
STRATEGIC ASSET ALLOCATION/POLICY ASSET ALLOCATION	A portfolio strategy that sets a target asset mix to reflect an investor’s risk tolerance and to reflect the expected market conditions over a set period of time.

STRATEGIC PLAN	A strategic document that outlines an organization's overall mission, vision, and values which helps to direct the annual business planning activities of the organization.
SUCCESSION PLAN	The identification and development of potential successors for key positions in an organization, through a systematic evaluation process and supplemental training programs.
SYSTEMATIC RISK	Also known as market risk, systematic risk refers to risk that affects the entire market. (See Unsystematic Risk)
TACTICAL ASSET ALLOCATION	A strategy that actively adjusts the weight of individual assets in a portfolio with the goal to outperform market returns. (See Alpha)
TFSA (TAX FREE SAVINGS ACCOUNT)	A vehicle through which individuals who are 18 years or older may save money, tax free, throughout their lifetime.
TOP-DOWN	Analysis of an investment opportunity that considers the economic outlook before looking at the industry or stock details.
TOTAL RETURN	The sum of the income (interest) and the capital gain on an investment.
TRADING PRACTICE	Standard activities, methods, and procedures established to handle day-to-day or frequently occurring trading events.
TRUSTEE / FIDUCIARY	A person or entity who is legally entrusted with the property (assets) of another person or group of persons (party), required to prudently place the best interests of the party above its own at all times when managing all aspects of the property/assets. Also called a “Fiduciary”
UNSYSTEMATIC RISK	Risk that is industry or security specific and is uncorrelated with market (systematic) risk.
VALUATION	The process of determining the value of an asset or security. This may involve the use of the most recent price of a publicly traded security, or a more subjective methodology used for private assets.
VESTED	To have the rights to an amount of a benefit, typically an employee benefit such as stock options, profit sharing or retirement benefits.
VOLATILITY	The size and frequency of changes in an asset’s value over a short period of time.
YEAR-TO-DATE	The period of time from the first day of the current calendar or fiscal year up to the current date.