

# Glossary

---

**Brazilian Bovespa:** The Bovespa Index is a gross total return index weighted by traded volume and is comprised of the most liquid stocks traded on the Sao Paulo Exchange. The Bovespa Index has been divided 10 times by a factor of 10 since Jan 1, 1985: 12/02/85, 08/29/88, 04/14/89, 01/12/90, 05/28/91, 01/21/92, 01/26/93, 08/27/93, 02/10/94, and 03/03/97.

**Citigroup Global Markets High Yield Market Index:** The High-Yield Market Index includes cash-pay, deferred-interest, and Rule 144A bonds with remaining maturities of at least one year and a minimum amount outstanding of \$100 million. The issuers must be domiciled in the United States or Canada for consideration in this index.

**Citigroup Global Emerging Market Sovereign Bond Index:** The Global Emerging Market Sovereign Bond Index (ESBI) includes Brady bonds and US dollar-denominated emerging market sovereign debt issued in the global, Yankee, and Eurodollar markets excluding loans. The ESBI offers diversification benefits with respect to the geographical and asset class dimensions. It comprises debt in Africa, Asia, Europe, and Latin America.

**CPI Inflation: Consumer Price Index (CPI) -** The CPI, as it is called, measures the prices of consumer goods and services and is a measure of the pace of US inflation. The US Department of Labor publishes the CPI every month.

**Current Balance:** The difference between the nation's total exports of goods, services and transfers and its total imports of them. Current account balance calculations exclude transactions in financial assets and liabilities.

**Currency Abbreviations:** AUD: Australia; NZD: New Zealand; NOK: Norway; GBP: UK; EUR: Euro Zone; SEK: Sweden; CAD: Canada; CHF: Switzerland; JPY: Japan; ZAR: South Africa; PLN: Poland; BRL: Brazil; RUB: Russia; KRW: Korea; TRY: Turkey; MXN: Mexico; CNY: China; INR: India

**DJIA: Dow Jones Industrial Average -** The best known U.S. index of stocks. A price-weighted average of 30 actively traded blue-chip stocks, primarily industrials including stocks that trade on the New York Stock Exchange. The Dow, as it is called, is a barometer of how shares of the largest US companies are performing.

**DXY Index: The DXY Index represents a basket of currencies, giving a price level for the US dollar.**

**Event Driven:** In the context of hedge funds, a style of management that combines many different types of hedge fund investing such as merger arbitrage, distressed securities and high yield investing, in conjunction with an important "event" that is supposed to unlock firm value (like a merger announcement, earnings announcement, or a regulator decision).

**Fiscal Balance:** The Fiscal Balance represents the difference between General Government revenues over expenses. It includes capital expenditure, but excludes depreciation.

**Global Macro:** Directional Macro strategies frequently employ leverage and may trade futures, options on future contracts and foreign exchange contracts as well as trade in diversified markets or focus on one market sector. Two types of strategies employed by directional macro managers are discretionary and systematic trading.

**Industrial Production:** Measures the output of the industrial sector of an economy. The industrial sector includes manufacturing, mining, and utilities.

**LIBOR:** London Interbank Offered Rate - A short-term interest rate often quoted as a 1,3,6-month rate for U.S. dollars.

**Managed Futures:** In the context of hedge funds, a style of management that focuses on short-term trading in the futures market.

**Mexican Bolsa:** A capitalization weighted index of the leading stocks traded on the Mexican Stock Exchange. The index was developed with a base level of .78 as of October 30, 1978.

# Glossary (Cont'd)

**MSCI World Consumer Discretionary Price Index:** An index measuring the performance of the Consumer Discretionary equities of developed countries including U.S.; a useful benchmark for global funds.

**MSCI World Free Index:** An index measuring the performance of equities of developed and EM countries; a useful benchmark for global funds.

**Nikkei 225 Index:** Applies mainly to international equities. Price-weighted average of 225 stocks of the first section of the Tokyo Stock Exchange started on May 16, 1949. Japanese equivalent of the US Dow.

**Repo rate:** A repo is a repurchase agreement. A procedure for borrowing money by selling securities to a counterparty and agreeing to buy them back later at a slightly higher price based on a rate of interest called the repo rate.

**Russell Mid-Cap Index:** A market capitalization-weighted benchmark index made up of the 800 smallest US companies in the Russell 1000.

**Russell Top 200 Growth Index:** A market capitalization-weighted benchmark index made up of the largest 200 US companies by market cap that exhibit growth characteristics.

**Russell Top 200 Value Index:** A market capitalization-weighted benchmark index made up of the largest 200 US companies by market cap that exhibit value characteristics.

**Russell 2000 Index:** A market capitalization-weighted benchmark index made up of the 2000 smallest US companies in the Russell 3000.

**S&P/ Case-Shiller US National** is the broadest national measurement of home prices, with coverage going beyond the 20 MSAs that make up the composites.

**S&P/Case-Shiller Composite-20 Home Price Index** reflects price changes for Atlanta, Charlotte, Cleveland, Dallas, Detroit, Minneapolis, Phoenix, Portland, Seattle, Tampa, Boston, Chicago, Denver, Las Vegas, Los Angeles, Miami, New York, San Diego, San Francisco and Washington DC. In addition to those 10 markets.

**S&P 400 Index:** A market capitalization-weighted benchmark index made up of 400 securities with market values between \$200 million and \$5 billion

**S&P 500 Index:** Index of 500 widely held common stocks that measures the general performance of the market.

**VIX Index:** The Chicago Board Options Exchange SPX Volatility Index reflects a market estimate of future volatility, based on the weighted average of the implied volatilities for a wide range of strikes 1st & 2nd month expirations are used until 8 day from expiration, then the 2nd and 3rd are used.

**U.S. Treasuries:** Interest-bearing obligations if the U.S. government issued by the U.S. Department of the Treasury as a means of borrowing money to meet government expenditures not covered by tax revenues. There are three types of marketable Treasury securities-bills, notes and bonds.

**U.S. Investment-Grade Bonds:** A bond that is assigned a rating in the top four categories by commercial credit rating companies. S&P classifies investment-grade bonds as BBB or higher, and Moody's classifies investment grade bonds as BAA or higher. Related: High-yield bond.

**U.S. High Yield Bonds:** A bond with a speculative credit rating of BB (S&P) or BA (Moody's) or lower. Junk or high-yield bonds offer investors higher yields than bonds of financially sound companies. Two agencies, Standard & Poors and Moody's Investor Services, provide the rating systems for companies' credit.

**Wilshire 5000 Index:** Measures the performance of all US equity securities with readily available price data. Over 5,000 capitalization weighted security returns are used to adjust the index. The Wilshire 5000 base is its 12/31/1980 capitalization of \$1,404.596 billion.

# Glossary (Agency Ratings)

## Moody's

### Investment grade

**Aaa:** Moody judges obligations rated Aaa to be the highest quality, with the "smallest degree of risk".

**Aa1, Aa2, Aa3:** Moody judges obligations rated Aa to be high quality, with "very low credit risk", but "their susceptibility to long-term risks appears somewhat greater".

**A1, A2, A3:** Moody judges obligations rated A as "upper-medium grade", subject to "low credit risk", but that have elements "present that suggest a susceptibility to impairment over the long term".

**Baa1, Baa2, Baa3:** Moody judges obligations rated Baa to be "moderate credit risk". They are considered medium-grade and as such "protective elements may be lacking or may be characteristically unreliable".

### Speculative grade

**Ba1, Ba2, Ba3:** Moody judges obligations rated Ba to have "questionable credit quality"

**B1, B2, B3:** Moody judges obligations rated B as speculative and "subject to high credit risk", and have "generally poor credit quality."

**Caa1, Caa2, Caa3:** Moody judges obligations rated Caa as of "poor standing and are subject to very high credit risk", and have "extremely poor credit quality. Such banks may be in default..."

**Ca:** Moody judges obligations rated Ca as "highly speculative" and are "usually in default on their deposit obligations".

**C:** Moody judges obligations rated C as "the lowest rated class of bonds and are typically in default," and "potential recovery values are low".

## Fitch

### Investment grade

**AAA:** the best quality companies, reliable and stable

**AA:** quality companies, a bit higher risk than AAA

**A:** economic situation can affect finance

**BBB:** medium class companies, which are satisfactory at the moment

### Non-investment grade

**BB:** more prone to changes in the economy

**B:** financial situation varies noticeably

**CCC:** currently vulnerable and dependent on favorable economic conditions to meet its commitments

**CC:** highly vulnerable, very speculative bonds

**C:** highly vulnerable, perhaps in bankruptcy or in arrears but still continuing to pay out on obligations

**D:** has defaulted on obligations and Fitch believes that it will generally default on most or all obligations

**NR:** not publicly rated

## S&P

### Investment Grade

**AAA:** the best quality borrowers, reliable and stable (many of them governments)

**AA:** quality borrowers, a bit higher risk than AAA

**A:** economic situation can affect finance

**BBB:** medium class borrowers, which are satisfactory at the moment

### Non-Investment Grade

**BB:** more prone to changes in the economy

**B:** financial situation varies noticeably

**CCC:** currently vulnerable and dependent on favorable economic conditions to meet its commitments

**CC:** highly vulnerable, very speculative bonds

**C:** highly vulnerable, perhaps in bankruptcy or in arrears but still continuing to pay out on obligations

**CI:** past due on interest

**R:** under regulatory supervision due to its financial situation

**SD:** has selectively defaulted on some obligations

**D:** has defaulted on obligations and S&P believes that it will generally default on most or all obligations

**NR:** not rated