

Board of Investment's Terminology List

130/30

Public Markets

A form of Long-Shorting where the long exposure is 130% and the short exposure is 30%. See Partial Long/Short

Active Management

An investment method which involves hiring a manager to research securities and actively invest and trade securities to outperform an assigned index. Compare to Passive Management.

Actuarial Assumed Rate of Return

Accounting

The investment rate of return used by actuaries that enables them to project the investment growth of retirement system assets into the future. An individual rate is determined and adopted by each Pension System.

Actuarial Funding Status

Accounting

A measurement made by actuaries to measure a pension system's financial soundness. Shows the actuarial assets available to fund liabilities.

Agency Bonds

Fixed Income

Agency bonds are issued by official US Government bodies. Compare to GSE Bonds

All Other Funds (AOF)

Holds all uncategorized accounts and funds.

Alpha

The measure of active return on an investment compared to the market. A measure of 1 means that an investment returned 1% in excess of the benchmark over a specified time period.

Alternative Investments

An all-encompassing range of investments, other than traditional assets such as publicly traded stocks and bonds. The most common alternative investments are private equity, real estate, commodities, and hedge funds.

Annualize

To annualize is to convert a short-term calculation or rate into an annual rate.

Appreciation

An increase in the value of an asset over time. The increase can occur for several reasons, including changes in supply or demand, or because of changes in inflation or interest rates. Compare to Depreciation.

Asset Backed Securities (ABS)

Fixed Income

A security whose income payments and overall value are collateralized by a specific pool of underlying assets (i.e. mortgage backed loans, auto loans, credit card loans). Pooling together a group of similar assets into financial instruments allows investors to mitigate the risk of individual default.

Average Credit Quality

Fixed Income

The average credit rating for each bond in the portfolio adjusted for its relative weight in the portfolio. See Credit Rating.

Basis Points (bps)

A basis point is 1/100th of a percentage and is regularly used when discussing the market (100 bps = 1.00%)

Beta

The measure of volatility or systematic risk of a security or portfolio compared to the market.

Example: If a company has a beta of 1.5, it implies that its more volatile than the overall index because it is greater than 1. Because of this, if the market moves 1% the company is expected to move 1.5% in the same direction.

< 1 = less risk than market

1 = same risk as market

> 1 = more risk than market

Blind Pool

Private Investments

A fund or portfolio where the investors are not aware of what the specific investments will be at the time of the initial commitment.

Bloomberg Barclay's US Aggregate Index

Fixed Income

A broad bond index covering most U.S. traded bonds and some dollar denominated foreign bonds traded in the U.S.

Broad Fixed Income

Fixed Income

A broad investment class including Investment Grade, structured bonds, Government and Agency bonds, international bonds, and High Yield.

Buyout

A fund strategy that acquires a controlling interest in a company. Under a buyout, the previous ownership loses control over the company in exchange for compensation. If borrowed funds are used to acquire the company, the deal is called a 'leveraged buyout'.

- Large/Mega buyout
 - Target companies have revenues >\$1B, EBITDA of >\$300M
 - *Typically, private equity fund sizes of \$2B and up*
- Middle market buyout
 - Target companies have revenues <\$1B, EBITDA of \$25M - \$300M
 - *Typically, private equity fund sizes of \$750M to \$2B*
- Lower middle market buyout
 - Target companies have revenues of \$10M - \$300M, EBITDA of \$3M - \$25M
 - *Typically, private equity fund sizes of <\$750M*

Private Investments**Capital Call (Drawdown)**

When the GP's investment team is ready to purchase an asset, they will issue a capital call or drawdown for a portion of the capital committed by the LPs.

Private Investments**Capital Commitment**

The amount of capital an LP is contractually obligated to pay into a blind pool fund or portfolio to finance underlying investments and their associated fees and expenses.

Private Investments**Cap Rate**

The ratio of NOI compared to the current market value. The cap rate is often used to value and compare real estate investments.

Real Estate**Carried Interest**

A share of the profits of an investment fund that is paid to the GP.

Private Investments**Cash Equivalents**

Assets that retain value and have a high degree of liquidity and are generally short-term commitments with minimal risk of loss.

Clawback

A payment from the GP to the LPs as the result of the GP receiving excess distributions above what was contractually agreed upon.

Private Investments**Commingled Fund**

Represents a pool of assets for multiple clients and are managed in a similar fashion by the same entity. Each client has a pro-rata share of the overall portfolio. Custody of the underlying securities are at the investment manager's custodian.

Consolidated Asset Pension Pool (CAPP)

The Consolidated Asset Pension Pool invests directly in the 13 Asset Classes.

Correlation

A measure of how investments or asset classes move relative to each other during the same period. To increase diversity, managers look for assets with lower correlations with other assets.

-1.0 = perfectly negative correlation

0.0 = no correlation

+1.0 perfectly positive correlation

Coupon

The interest rate paid on a bond. This can either be a fixed or floating rate. A floating interest rate is typically tied to a benchmark such as U.S. Treasury Bills. Payments can be monthly, semi-annual, or annual.

Fixed Income**Covenant**

A legally binding term of agreement between a bond issuer and a bond holder which are designed to protect both parties. Can potentially restrict an issuer from undertaking certain activities or ensure they meet certain requirements.

Fixed Income

Credit Rating

An assessment of creditworthiness of a borrower. A credit rating (between AAA and BBB) given by one of the three main credit rating agencies indicates a relatively low risk of default and hence an Investment Grade security.

Fixed Income

	Moody's	S&P	Fitch
Investment Grade	Aaa	AAA	AAA
	Aa	AA	AA
	A	A	A
	Baa	BBB	BBB
High-Yield	Ba	BB	BB
	B	B	B
	Caa	CCC	CCC
In Default	D	C	CC
		D	DDD

Currency Risk

A risk variable that comes from investments in currencies, currency futures contracts, forward currency exchanges, etc. These investments are subject to the risk that the value of a currency will change at a fundamental level.

Risk Management**Custodian**

A financial institution responsible for safeguarding BOI's financial assets by holding assets on behalf of BOI, thus forming a fiduciary relationship.

BOI/Gov't Specific**Debt Multiple**

A company's debt divided by EBITDA

Private Investments**Debt Related**

A fund strategy that provides debt financing in the form of a secured or unsecured loan for working capital or capital expenditures. Also called term loans, which often requires the borrower to adhere to certain rules regarding financial performance called covenants.

Private Investments**Depreciation**

A decrease in the value of an asset over time. The decrease can occur for several reasons, including changes in demand or supply, or because of changes in inflation or interest rates. Compare to Appreciation.

Discount

Describes the discrepancies in the paid amount against its par value. A discount means the purchasers bought the security for less than the asset's par value. Compare to Premium

Fixed Income**Distressed**

An investment strategy whereby the private investment manager purchases a distressed asset at a significant discount with the intention of turning around or improving the asset prior to selling.

Private Investments**Distributions**

Either cash or equity returned to investors after a fund or portfolio exits an investment.

Private Investments**Diversification**

Investing in different asset classes, industries, securities, and/or countries to protect against extreme losses and to expand the possibilities of gains from multiple asset types.

Risk Management**Domestic Equity**

Equity from the United State including stocks, or other public equity-related investments.

Downside Capture Ratio

During a down market, the downside capture ratio shows how a portfolio compared to its benchmark. It is shown as a ratio with a value below 1 being preferred as it indicates that the portfolio had good downside protection and didn't lose as much as its benchmark. Compare to Upside Capture Ratio.

Downside Risk

Downside risk describes the potential downfall and unintended negative consequences of an investment.

Risk Management**Dry Powder**

Refers to fund's uninvested capital available to fund future investments.

Duration

A measure of a bond or portfolio's sensitivity to changes in interest rates. As duration increases, the bond or portfolio's sensitivity to interest rates increases.

Fixed Income

Example: if current interest rates increase by 1% and a bond has a duration of 4, the bond price will decrease by about 4%. However, if interest rates decrease by 1% the bond price will increase by about 4%

EBITDA

Stands for: Earnings Before Interest, Taxes, Depreciation, and Amortization. It is a non-GAAP measurement that shows as an organization's earnings before interest, taxes, depreciation, and amortization can be subtracted out. This allows for a greater understanding of a company's current operating profitability

EBITDAX

Stands for: Earnings Before Interest, Taxes, Depreciation, Depletion, Amortization, and Exploration Expenses. This is a valuation metric used for oil and gas companies which shows their ability to produce income from operations in a given year.

Private Investments**Enterprise Fund Financial Statements**

Used to account for the recovery of costs for goods or services primarily provided to users outside of the primary government. Used by BOI to report the programs created under the Municipal Finance Consolidation Act and the Economic Development Bond Act.

Accounting**Equity Styles**

Categorization of investment approaches or objectives that a fund manager uses

Public Markets

Core: Core holdings are a central investment of a long-term portfolio that exhibit common traits such as strong market share and promising growth prospects. Considered a blend of growth and value investing.

Growth: An investment style that focuses on earnings that are expected to grow at a desirable and above average rate.

Value: An investment strategy where assets are chosen because they are trading below their intrinsic value or fundamentals making them undervalued.

Exchange Traded Fund (ETF)

An investment fund traded on stock exchanges, much like stocks. Most ETFs track an index, such as a stock index or bond index.

Public Markets**Face (Par) Value**

The stated value of an investment at maturity.

Fixed Income**Fixed Income**

An investment, generally in bonds and loans, that returns payments on a regular schedule (coupon) as well as the original investment (principal) at the end of investment period.

Fixed Income**Foreign Markets Risk**

Risks that are not typically associated with domestic markets including changes in currency exchange rates, less government supervision of exchanges, brokers, and issuer; increased social economic, political uncertainty, and greater for price volatility. These risks may be greater in emerging and frontier markets.

Risk Management**Forms of Economic Markets**

Economic markets are divided based on several measurements including economic development, size and liquidity requirements, and market accessibility criteria.

Public Markets

Developed Market: A country that is developed in terms of its economy and capital markets like the US, Japan, Germany, or Canada.

Emerging Market: A country that has built an adequate infrastructure to facilitate a developed economy and capital market but is still working towards other characteristics of a developed market.

Frontier Market: A market from a developing country that does not have a developed stock market or infrastructure and generally has higher returns to compensate investors.

Forward Contract	Public Markets
A contract between parties to buy or sell an asset at a future date and predetermined price regardless of future market conditions. Can be used for hedging or speculation.	
Forward Rate	Public Markets
An interest rate that will be applicable to a future financial transaction.	
Fund-of-Funds	Private Investments
A fund that invests in multiple managers/funds, who then invest that capital directly.	
GAAP/GASB	Accounting
The Governmental Accounting Standards Board (GASB) is the author of the generally accepted accounting principles (GAAP) used by state and local governments in the US along with various corporations.	
General Partner (GP)	Private Investments
The team/firm that oversees the investment of a specific private fund.	
Global Industry Classification Standard (GICS)	
A common global classification standard used by thousands of market participants including MSCI (the BOI's preferred index provider). Through GICS there are 11 sectors, 24 industry groups, and 68 industries.	
GSE Bonds	Fixed Income
Stands for Government Sponsored Entity (GSE) bonds which are offered by lenders created by an act of congress to assist groups of borrowers. GSE bonds are backed but not guaranteed by the U.S. government. Compare to Agency Bonds	
Hedge Funds	Public Markets
Like mutual funds, hedge funds pool investors' money and invest that money to make a positive return. Hedge funds typically have more flexible investment strategies than mutual funds.	
Hedging	Public Markets
An investment position taken to offset potential losses that may be incurred by another investment. Compare to Speculation.	
High-Yield Bond	Public Markets
A non-investment grade bond that is at a higher risk of default or some other adverse event. However, these pay higher yields than better quality bonds to make them attractive to investors.	
Indenture	Fixed Income
A contract that explains the various terms, options, and intricacies of a bond.	
Index	
A hypothetical portfolio of securities representing a market segment and are commonly used as a benchmark for the stock and bond markets (S&P 500, Barclay's Aggregate, or the MSCI USA IMI).	
Inflation	
The rate at which the general level of prices for goods and services is increasing. As inflation increases, the purchasing power of money falls.	
In-State Loan Program	BOI/Gov't Specific
Statutory authorized program that directs the Board to provide financial lending using Coal Tax Trust fund money to borrowers who meet program requirements set in law.	
Interest	Fixed Income
The amount that must be paid to compensate the lender/investor for the use of the funds.	
Intermediary Relending Program (IRP)	
A loan to an Economic Development organization that has three years to loan the money to local businesses that need equity capital to obtain a bank loan. Funds are matched through a program with the United States Department of Agriculture (USDA).	
Internal Controls	
The plan of an organization that has the methods and measures used to monitor assets, prevent fraud, minimize errors, verify the accuracy and reliability of accounting data, promote operational efficiency, and ensure that established managerial policies and procedures are complied with.	

Internal Rate of Return (IRR)

The dollar-weighted return earned by investors.

Internal Service Fund**Accounting**

Used to account for the recovery for costs of goods or services primarily provided by one department or agency to another department or agency. Used to report to the investment operations of the Board.

International Equity

Equity outside of the United States. Examples include stocks or equity investments in China, Germany, or Canada.

Investment Grade Bond**Fixed Income**

Bonds rated BBB/Baa and above. These bonds have lower yields than high-yield bonds because of the lower risk of default.

Investment Period**Private Investments**

The prespecified timeframe during the beginning of a fund's life when the investments of the fund will be made.

Key Man Provision**Private Investments**

A clause that prevents the GP from making new investments after a key executive(s) departs.

Leverage (Financial leverage)

The use of debt to acquire additional assets.

Example: If we were to purchase a \$1,000 asset using \$750 of debt and \$250 of cash to fund the purchase, the purchased would 75% leveraged.

LIBOR**Fixed Income**

Benchmark interest rate at which major global banks borrow from one another. The rate is calculated based on survey results from a panel of banks.

Limited Partnership**Private Investments**

The common legal structure used for private equity funds.

Liquidity

The ability of an asset to be converted into cash quickly and without a meaningful price discount.

LPAC Membership**Private Investments**

The Limited Partnership Agreement Committee (LPAC) membership is occasionally available as a term of agreement. Being on the LPAC gives BOI a chance to voice concerns more directly and make decisions in conjuncture with other LPAC members during unexpected events including the loss of key investment team members, extending the investing or exiting time frame, etc.

Mark-to-Market

Recording the price of an asset on a regular basis to reflect its current market value. Can also be referred as fair value accounting.

Market Capitalization**Public Markets**

Measured by the total dollar market value of a company's outstanding shares and is generally used to compare companies in investment universes or sectors. The following classification are according to the MSCI and are variable between investors and indexes. (all below ranges come from MSCI World)

Large (Big) Cap: Defined as companies with market caps that are \$20 billion or larger. Less volatile than other, smaller firms

Mid Cap: Defined as a company with a market cap between \$2 - \$20 billion. These tend to have more risk than larger companies but with room to grow their market cap.

Small Cap: Defined as companies with market caps less than \$2 billion. Generally younger companies with growing potential and added risk.

Maturity**Fixed Income**

The agreed date that the full amount of the bond or investment must be paid back to the lender plus interest if applicable.

Mean

The average of a data set. All data points are added together and then divided by the number of data points.

Median

The center or middle number in a range of data when data points are organized by value.

Montana Operations Manual (MOM)**Accounting**

Contains guidance for all state agencies. Among the topics included are accounting, travel, procurement, information technology, budget, and human resources.

MSCI

The provider of investment decision support tools including indexes.

ACWI – All Country World Index

ACWI ex US – All Country World Index excluding US

EAFE – Europe, Australasia, and Far East

EM – Emerging Markets

IMI – Investible (all-cap) Market Index

US – the United States

Multi-Asset Class

A combination of asset classes (i.e. cash, equity or bonds) used in an investment creating a group or portfolio of assets.

Multiple of Invested Capital (MOIC)**Private Investments**

Performance metric which shows how much more or less an investment is worth compared to the total invested capital over time. A multiple greater than one indicates a gain, and a multiple less than one indicates a loss.

$$\text{Total Value} / \text{Invested Capital}$$

Natural Resources**Private Investments**

Natural Resource investments are investments managed by external advisors who invest in timber, gas and oil related companies, as well as other natural resources.

Net Asset Value (NAV)**Accounting**

The 'true' value of a fund's investments based on the quoted prices of its components.

$$\text{NAV} = \text{Value of Assets} - \text{Value of Liabilities}$$

NCREIF**Real Estate**

Stands for National Council of Real Estate Investment Fiduciaries. A property Index that is compiled quarterly and shows the composite total rate of return measure of investment performance of a pool of individual commercial real estate properties acquired in the private market for investment purposes.

NFI-ODCE**Real Estate**

Short for NCREIF Fund Index – Open End Core Equity; an index of investment returns reporting on both a historical and current basis. This information comes from 33 open-end commingled funds pursuing a core investment strategy.

NOI (Net Operating Income)

A calculation used to analyze real estate investments. NOI equals the revenue from the property minus necessary operating expenses.

Overweight**Public Markets**

A security position that is in excess, or overweight when compared to the security's weight in the underlying benchmark or sector. Actively managed portfolios will overweight securities that have the potential to earn excess returns above the benchmark returns. Portfolios can also be overweight sectors, countries, or some other characteristic. Compare to alternative weighting schemes such as equal weight or underweight.

Partial Long/Short**Public Markets**

An investing strategy that takes long positions in stocks that are expected to appreciate and short positions in stocks that are expected to decline.

Passive Management

An investment strategy where a manager purchases a portfolio of securities that they hope to replicate market index returns, (this strategy generally involves lower management fees).

Placement Agent**Private Investments**

A third-party group that assists the GP in fundraising for a new or existing fund.

Policy Portfolio

A fixed baseline or target mix of asset classes (stocks, bonds, cash, etc.) for a portfolio.

Preferred Return**Private Investments**

The threshold return that the LPs of a private equity fund must receive, prior to the GP receiving its carried interest.

Premium

Describes the discrepancies in the paid amount against its par value. A premium means the purchasers bought the security for more than its par value. Compare to Discount.

Fixed Income**Present Value**

The value of a stream of future cashflows discounted at a specified interest rate to the present date. Shows what a dollar in the future is worth to an investor today.

Accounting**Price to Book (P/B) Ratio**

Price of an Asset divided by its Book Value.

Price to Earnings (P/E) Ratio

Price of an Asset divided by its Earnings.

Principal

The initial size of a bond or investment.

Fixed Income**Principal Repayment**

The payment of the face value or principal of a security by the issuer, generally due on the maturity date unless the issuer redeems the security before it matures.

Fixed Income**Private Investments**

Asset classes comprised primarily of equity and debt securities in private operating companies, real property and other types of investments that are not publicly traded on a stock exchange. At BOI it is an umbrella term that covers the private equity, real estate, and natural resources asset classes.

Private Investments**Prudent Expert Principle**

A measure that requires the fiduciary (BOI) to properly discharge their duties by doing the following:

- a) discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;
- b) diversify the holdings of each fund within the unified investment program to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and
- c) discharge the duties solely in the interest of and for the benefit of the funds forming the unified investment program.

Purchase Price Multiple

The enterprise value of a company divided by the company's EBITDA

Private Investments**Ratings**

An assessment of the creditworthiness of a borrower. Bond ratings from Moody's, S&P and Fitch between AAA and BBB- are investment grade. BB and below are below investment grade/high yield.

Fixed Income**Real Estate Classes**

Core: Lower risk; considered the best quality holdings such as prime commercial property in major metropolitan cities that have low leverage and low levels of vacancy.

Value-Add: Moderate risk, non-core; property that generally already has some form of in-place cash flow which investors are seeking to increase by making improvements or repositioning the property.

Opportunistic: Higher risk, non-core; these properties tend to need more significant alterations and rehabilitation to realize their full earning potential. These properties generally have a higher vacancy rate, include higher levels of leverage, and can include ground-up development.

Real Estate**Rebalancing**

The action of buying or selling assets to realign the asset weights to meet the target portfolio.

Risk Management**Resolution**

A formal and written action by an organizational body that has long-term significance and requires a vote from the governing body. BOI uses resolutions mainly for its most significant and long-term actions and/or policies.

BOI/Gov't Specific**Risk Tolerance**

An investor's ability to handle declines in the value of their portfolio.

Risk Management

Russell US Indexes

A family of global equity indices from FTSE Russell that allow investors to track performance of market segments.

Public Equity

S&P 500 Index

The Standard & Poor's market index based on the market capitalizations of the 500 largest companies which have common stock listed on the NYSE or NASDAQ. The weightings are determined by S&P Dow Jones Indices.

SABHRS

Stands for the State Accounting, Budgeting and Human Resource System. By statute, BOI investment and other financial data must be reported through this system, which is the State's official accounting book of record.

Accounting

Sector

An area of the economy in which businesses share the same or related product or services, e.g. an economic sector. This can also refer to a group of securities that exhibit similar characteristics. See Global Industry Classification for examples.

Separately Managed Account (SMA)

Represents a portfolio of assets specifically constructed according to the client's investment policy.

Short Position

A negative share or market value indicates a short position or sale of a borrowed security.

Short Term Investment Pool (STIP)

Used by state and local agencies and the retirement systems as an alternative to idle cash. STIP investments are short, highly liquid and among the safest obtainable as it is structured like a money market fund.

SOFR

Influential interest rate based on daily transactions in the Treasury repurchase market.

Fixed Income

Speculation

Involves investors making bets on future market conditions or events and is used when an investor hopes to increase profits. Compare to Hedging.

Public Markets

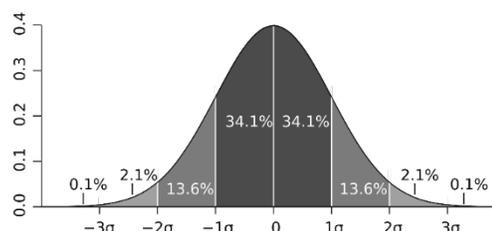
Spread

A measurement of the difference in yield between a non-Treasury bond and a U.S. Treasury bond. The U.S. Treasury is considered the risk-free alternative. A higher spread represents greater uncertainty of repayment.

Fixed Income

Standard Deviation

Measures the dispersion or spread of a dataset compared to its historic mean. In finance it can be applied to the annual rate of return of an investment. It sheds light on the historical volatility of that investment. The greater the standard deviation of a security, the greater the variance between each price and the mean.



Tail Risk

Describes portfolio risk when the return is (generally) more than two standard deviations from the mean. The tail risk probability is towards the far left or far right of the normal distribution curve pictured above and has a small chance of occurring (the returns during the Great Recession was considered a five standard deviation event). Left-tail risk is associated with negative returns while right-tail risks are associated with positive returns.

Risk Management

TED Spread

The difference between the interest rates on interbank loans and on short-term U.S. government debt ("T-bills"). TED is an acronym formed from T-Bill and ED, the ticker symbol for the Eurodollar futures contract.

Fixed Income

TIPS

Treasury Inflation Protected Securities (TIPS) are Treasury bonds that are indexed to the Consumer Price Index to protect investors from the negative effects of inflation.

Fixed Income

Total Return

The return on an investment including appreciation or depreciation, interest, dividends, and fees in the price of a security over a given period.

Tracking Error

The divergence between the price change of a position or a portfolio and the price change of a benchmark.

Trust Fund Investment Pool (TFIP)

TFIP is managed with the primary focus of generating income.

Underweight

A security's portfolio weight that is less than or underweight the security's weight in the underlying benchmark. Can also be used to describe the relative composition of a portfolio such as underweight a sector or industry. Compare to equal weight or overweight.

Public Markets

Underwriter

The agent who buys investments to be resold to the public. At BOI this would generally be the investment firm that buys the Board's bonds to be resold to the public.

Fixed Income

Unified Investment Program Financial Statements

The program in the State's constitution requiring a central investment program which the legislature has assigned to the BOI.

Accounting

Upside Capture Ratio

During an up market, the upside capture ratio shows how well a portfolio performed compared to its benchmark. It is shown as a ratio with a value above 1 being preferred as it indicates the portfolio "beat the market" by outperforming. Compare to Downside Capture Ratio

Venture Capital

Money that is provided to seed early-stage, emerging growth companies. Venture capital funds invest in companies in exchange for equity in the companies they invest in.

Private Investments

Vintage Year

The first year in which capital is drawn to fund an investment.

Private Investments

Volatility

The degree of variation of a price series over time as measured by the standard deviation of returns. Historic volatility is derived from time series of past market prices. An implied volatility is derived from the market price of a market traded derivative (in particular an option).

Waterfall Type

The waterfall type describes how a private equity fund will make distributions to its LPs and GP.

Private Investments

European Waterfall: Payment schedule where distributions are based off of how well the fund as a whole has performed.

Deal-by-Deal Waterfall: Payment schedule where distributions are made on a deal-by-deal basis instead of on performance of the whole fund.

Weighted Average Maturity (Life)

Measures of how quickly the outstanding principal will be repaid. The higher the number the longer it is expected to take for the debt to be paid.

Fixed Income

Yield Curve

A curve that plots the prevailing yield for bonds at different maturities. Curves generally slope upward because longer maturities require a higher interest rates to compensate for the added risk of holding an asset for an extended period. The graph below is a representation and not up to date.

Fixed Income

Yield to Maturity

The yield anticipated on a bond or portfolio if it is held until maturity and all coupon payments are reinvested at the YTM.

