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# GLOSSARY OF TERMS

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# MONTHLY INVESTMENT REVIEWS

## Performance

**Annualized Return:** a geometrically linked constant annual return, consisting of two sources: capital gains/losses and dividend/interest payments.

**3 Year Annualized Rolling Performance:** the annualized return for a 3-year period. The term “rolling” explains the fact that the first 3 year annualized return is calculated using years 1-3, then the next 3 year annualized return uses years 2-4, followed by years 3-5, and so forth.

**Added Value:** the active return premium achieved when taking on active benchmark risk. It is the difference between the active portfolio return and the passive benchmark return.

**Up Markets:** periods when the benchmark return is positive (i.e. benchmark return  $> 0$ ).

**Down Markets:** periods when the benchmark return is negative (i.e. benchmark return  $< 0$ ).

## Contributors to Performance

**Security Attribution:** the return gained/lost due to the over/under weighting of the portfolio's securities relative to the benchmark. It measures whether the manager has correctly over weighted securities that have outperformed the benchmark, and underweighted securities that have underperformed the benchmark.

## Attribution Effects

**Attribution:** decomposes the added value of a portfolio into the following effects: allocation, selection, interaction, and currency.

**Allocation Effect:** the return gained/lost due to the over/under weighting of the portfolio's sectors/countries relative to the benchmark. It measures whether the manager has correctly over weighted sectors/countries that have outperformed the benchmark, and underweighted sectors/countries that have underperformed the benchmark.

**Selection Effect:** the return gained/lost due to the portfolio's security selection relative to the benchmark. It measures the active decisions of selecting/overweighting securities that have performed better than the average security within a sector/country, and excluding/underweighting securities that have performed worse than the average security within a sector/country.

**Interaction Effect:** the return gained/lost due to the by-product of the allocation and selection effects.

**Currency Effect:** the return gained/lost due to currency fluctuations

## Portfolio Characteristics

**Modified Duration (years):** measures the price sensitivity of a fixed-income security, or portfolio of fixed-income securities, to changes in yields.

**Convexity (years):** measures the rate of change for the price/yield curve due to yield changes.

**Top Ten Holdings:** lists the top ten most heavily weighted securities in the portfolio. This measure provides an indication of security concentration within the portfolio.

## Other Information

**Pie Charts:** the proportion of total portfolio assets allocated to a particular asset category:

Credit Quality Rankings: AAA, AA, A, BBB, <BBB

Sector Distribution: Sovereign, Corporate

Geographic Distribution: by currency of issue

**Purchases:** securities that have been newly added to the portfolio during the period.

**Sales:** securities that have been completely removed from the portfolio during the period.

**NAV per share:** a fund's total net asset value divided by its number of shares outstanding.

**Average Yield (Gross):** annual income (interest or dividends) divided by the current market value of the portfolio.

**Yield to Maturity (YTM):** the rate of return anticipated on a bond if it is held until the maturity date, expressed as an annual rate. The calculation of YTM takes into account the current market price, par value, coupon interest rate, and time to maturity. It is also assumed that all coupons are reinvested at the same rate. The portfolio's YTM is the sum of the weighted individual bonds' YTM.

**Net Current Yield:** represents the current earnings of a money market portfolio, less fees/expenses, expressed as an annual rate. It is calculated using the average yield and duration of a money market portfolio. The average yield and duration of a money market portfolio are the yield at purchase and time to maturity, respectively, of each holding weighted by the value of that holding.

**Bloomberg Code:** the ticker symbol and exchange code used by Bloomberg L.P.

**ISIN:** International Securities Identification Number. A number, assigned by the local numbering agency, developed to facilitate cross border transactions. It consists of a two or three letter prefix that identifies the country of the issuer, followed by the nine digit national security ID and a check digit.

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