Appendix B

Glossary of Commonly Used Mutual Fund Terms

Account: A mutual fund account or open account. It reflects the record of investments, together with reinvestments of distributions and/or withdrawals and charges; an open account is open to further investment.

Acquisition Cost: The load, or sales commission charged.

Adjustable Rate Mortgage Fund: A fund that invests in adjustable rate mortgage (ARM) securities issued and guaranteed by the U.S. government or its agencies. These funds are designed for conservative, income-oriented investors who are willing to accept minimal fluctuations in the funds' share prices. ARMs generally have lower yields which vary frequently since their dividend rates are periodically reset. (See ARMs.)

Adjustable Rate Preferred: A bond or preferred stock whose dividends are adjusted periodically to maintain a yield within some designated range of a benchmark Treasury security. The dividend is also fixed between floor and ceiling yields, and the stock can be redeemed before maturity.

Advisor: The organization employed by a mutual fund to give professional advice on its investments and management of its assets.

Advisory and Service Fee (contract): The fee charged to an investment company (mutual fund) by its investment advisor under a contract approved by vote of a majority of the company's shares. The fee is computed as a percentage of the average net assets, and may also provide for an additional bonus or penalty based on performance.

Aggressive Growth Fund: A mutual fund which seeks maximum capital appreciation through the use of investment techniques involving greater than ordinary risk, which may include such techniques as borrowing money in order to provide leverage, short selling, hedging, options and warrants.

All-Weather Fund: A fund that long-term investors can hold relatively safely throughout a complete market cycle. Low volatility and asset allocation funds may be all-weather funds.

Alpha: A statistical measure representing the difference between the actual and expected performance of a fund given its characteristic volatility. A positive alpha is often considered a measure of management's ability.

Alternative Minimum Tax (AMT): A substitute computation of tax, which ensures that those taxpayers with substantial deductions and credits pay at least some income tax.

Annuity Contract: A contract issued by an insurance company that provides payments for a specified period, such as for a specified number of years or for life. (See Variable Annuity.)

Arbitrage: The purchase of an asset in one market accompanied by a simultaneous sale of the same (or a similar) asset in a different market to take advantage of the difference in price.

ARMs: Adjustable rate mortgages. The index rate on the loan is periodically reset relative to a base rate. (See Adjustable Rate Mortgage Funds.)

Asked or Offering Price: The price at which a mutual fund's shares can be purchased. The asked or offering price is the current net asset value per share plus a sales charge.

Asset-based Charge: A charge deducted from the net assets of a mutual fund under the terms of a 12b-1 plan.

Asset Value: Either total or per share. Total net assets of a fund represent the market value of holdings plus any other resources such as cash, minus liabilities. Per share is determined by dividing the total assets by the number of shares outstanding.

Automatic Reinvestment: The option available to mutual fund shareholders whereby fund income dividends and capital gains distributions are automatically used to buy new shares at no charge and thereby increase holdings.

Back-end Load: A redemption charge paid when withdrawing money from a fund. In the case of a 12b-1 fund, it is designed to recoup sales expenses not collected by the periodic 12b-1 fee, due to withdrawal(s) prior to a pre-determined period.

Balanced Fund: A mutual fund that has an investment policy of always balancing its portfolio, generally by including relatively fixed portions of bonds, preferred stocks and common stocks.

Bankers' Acceptances: Short term credit arrangements designed to enable a business to obtain funds to finance commercial transactions. Generally, an acceptance is a time draft drawn on a bank by an exporter or an importer to obtain a stated amount of funds to pay for specific merchandise. The draft is then "accepted" by a bank that, in effect, unconditionally guarantees to pay the face value of the instrument on its maturity date.

Basis Point: A unit used to measure changes in interest rates and bond yields, i.e., 100 basis points equal 1%. One basis point equals .01% (or 1/100 of 1%).

Bear Market: A market cycle in which stock prices are generally declining.

Beta: A coefficient that measures a fund's volatility relative to the total market, usually as represented by the S&P 500. It is the percentage performance of a fund which has historically accompanied a 1.00% move up or down in the S&P 500. High beta funds have price fluctuations greater than the broad market; low beta funds fluctuate less than the market as a whole. Funds with high betas are consequently riskier than the market, those with low betas are less risky.

Bid or Redemption Price: The price at which a mutual fund's shares are redeemed (bought back) by the fund. The bid or redemption price usually means the current net asset value per share.

Big Board: Another name for The New York Stock Exchange.

Blue Chip: The common stock of well established companies with a stable record of earnings and dividends.

Blue Sky Laws: Rules and regulations of the various states governing the securities business, including mutual funds, broker/dealers and salesmen.

Bond Fund: A mutual fund whose portfolio consists primarily of fixed-income securities. The emphasis of such funds is normally on income rather than growth.

Bookshares: A share recording system that gives the fund shareowner a record of his holdings. Used in lieu of share certificates.

Break Point: A quantity of securities purchased at which a lower sales charge takes effect; also, an aggregate amount of investment company assets in excess of which a lower rate of investment advisory fee is applicable.

Broker: A person who executes securities transactions for others, receiving a commission for his or her services.

Broker-Dealer (or Dealer): A firm which sells mutual fund shares and other securities to the public.

Bull Market: A market cycle in which stock prices are generally rising.

Call Option: The right to buy 100 shares of a particular stock or stock index at a predetermined price before a preset deadline, in exchange for a premium.

Capital Gain or Loss: Profit or loss resulting from the sale of property or securities.

Capital Gains Distributions: Payments to mutual funds shareholders of gains realized on sales within the fund's portfolio securities.

Capital Growth: The increase in the market value of securities held, which is the long term objective of many funds.

Cash Equivalent: Receivables, short-term bonds and notes.

Cash Position: Cash plus cash equivalents minus current liabilities in a fund's portfolio.

Certificate: Printed evidence of ownership of securities including mutual fund shares.

Certificates of Deposit: Negotiable certificates evidencing the indebtedness of a commercial bank to repay funds deposited with it for a definite period of time at a stated or variable interest rate.

Closed End Investment Company: Unlike mutual funds (known as open end funds), closed end companies issue only a limited number of shares and do not redeem them (buy them back). Instead, closed end shares are traded in the securities markets, with supply and demand determining the price. Also called publicly traded funds.

CMO: A security where a group of mortgage pass-through securities have been put together, and the cash flows are paid out in a specific order or preference to different buyers in order to give structure to the uncertain cash flows of mortgage pass-through securities.

Commercial Paper: Unsecured short term notes issued in bearer form by large well known corporations and finance companies and certain governmental bodies. Maturities on commercial paper range from a few days to nine months.

Commission: A fee paid to a broker or mutual fund salesmen for the buying or selling of securities.

Common Stock: A security representing ownership in a corporation's assets.

Common Stock Fund: A mutual fund whose portfolio consists primarily of common stocks. The emphasis of such funds is usually on growth.

Compounding: The process that occurs through the reinvestment of interest, dividends, or profits. Growth thus occurs at the same rate that the investment itself earns, allowing the reinvested money to multiply, rather than simply adding to the investment.

Conduit: The nature of a fund, which permits it to channel investment dividend income or capital gains to fund shareholders for tax purposes, and avoid being taxed within the fund.

Contingent Deferred Sales Charge: A sales fee payable when the shareholder redeems shares, rather than when shares are purchased, and which is frequently reduced each year that the shares are held.

Contrarian: An investor who does the opposite of what most investors are doing at a particular time. A contrarian fund generally invests in out-of-favor securities, whose price/earnings ratio may be lower than the rest of the market or industry.

Conversion Privilege: See Exchange Privilege.

Convertible Securities: A preferred stock or bond providing the right for the owner to exchange it for another security, such as common stock of the company, under specified or unspecified conditions of time, price and/or number of shares.

Corporate Obligations: Bonds and notes issued by corporations and other business organizations, including business trusts, in order to finance their long term credit needs.

CUSIP: The Committee on Uniform Securities Identification Procedures – it assigns identifying numbers and codes to all securities. These CUSIP numbers are used when recording all buy and sell orders. Each fund has a CUSIP number.

Custodian: The organization (usually a bank) that holds in custody and safekeeping the securities and other assets of a mutual fund.

Cycle: A pattern of swings and reversals in a trend that recurs over a period of time.

Daily Dividend Fund: A fund that declares its income dividends daily. The fund usually reinvests or distributes them daily or monthly. (See Money Market Funds.)

Deflation: A fall in the general price level of goods and services.

Direct Marketed Fund: A no-load or low-load fund whose shares can be bought directly from the fund, without going through a dealer, thus avoiding all or most of the sales commissions. Investors purchase fund shares through the mail or by telephone in response to advertising or publicity.

Discount: The percentage below asset value at which a closed end investment company sells in the open market.

Disinflation: A slowdown in the rate of inflation without turning into deflation.

Distributions: The payments of dividends or realized capital gains that a fund determines to pass along to shareholders, who can take them in cash or in additional shares.

Distributor: An organization that purchases mutual fund shares directly from the issuer for resale to other parties.

Diversification: The mutual fund policy of spreading its investments among a number of different securities to reduce the risks inherent in investing.

Diversified Investment Company: A fund that complies with statutory requirements of the Investment Company Act of 1940, which specifies that such a fund have at least 75% of its assets represented by cash, government securities, securities of other investment companies, and other securities limited in respect to any one issuer in an amount not greater than 5% of a fund's assets and not more than 10% of the voting securities of a single issuer.

Dividend: As distinct from a capital gains distribution, represents earnings from investment income.

Dollar-Cost-Averaging: Investing equal amounts of money at regular intervals regardless of whether the stock market is moving upward or downward. This reduces average share costs to the investor who acquires more shares in periods of lower securities prices and fewer shares in periods of higher prices.

Economics: The study of how people use limited resources – personal, commercial, national or international – to achieve maximum well-being.

Efficient Market: Theory that market prices reflect the knowledge and expectations of all investors. Believers of the theory hold that any new development is quickly reflected in a company's stock price, making it impossible for an investor to beat the market over the long run.

Equity: In investments, an ownership interest by shareholders of a corporation. Stock is equity, as opposed to bonds, which are debt.

Equity Fund: A common stock mutual fund.

Eurodollar CDs: Certificates of Deposit issued by a foreign branch (usually London) of a domestic bank, and as such, the credit is deemed to be that of the domestic bank.

Exchange Privilege: Enables a mutual fund shareholder to transfer his investment from one fund to another within the same fund group generally at no cost, if his needs or objectives change.

Ex-Dividend: For mutual funds (but not for securities listed on a stock exchange), that date on which declared distributions are deducted from total net assets. On the day a fund goes ex-dividend, its closing net asset value per share is calculated minus the distribution.

Expense Ratio: Annual expenses of a mutual fund (not including interest and income taxes paid) divided by average net assets.

Family of Funds: A group of mutual funds under the same management.

FANNIE MAE: Nickname for the Federal National Mortgage Association.

Fed: Nickname for the Federal Reserve System.

Fedwire: A computerized communications network connecting the Federal Reserve banks, their branches and other governmental agencies. It enables banks to transfer funds for immediate available credit.

Fiduciary: A person vested with legal power to be used for benefit of another person.

Fixed Income Fund: A mutual fund investing all or a major portion of its assets (normally 75% or more) in fixed income securities.

Fixed Income Security: A debt security such as a bond or a preferred stock with a stated return in percentage or dollars.

Flexibly Diversified: In contrast to a balanced fund whose portfolio at all times must be diversified among a generally stated minimum or maximum percentage of bonds/preferred/common stocks. Flexible diversification means that management, at its discretion, may allot the percentage for each type of security.

Float: The period between the writing of a check and the debiting of an account for that amount. Money fund shareholders earn interest on the float when they write checks on their accounts.

401(k) Plan: A plan by which an employee may elect, as an alternative to receiving taxable cash as compensation or bonus, to contribute pretax dollars to a qualified tax-deferred retirement plan.

FREDDIE MAC: Nickname for the Federal Home Loan Mortgage Corporation, and also the mortgage-backed securities it issues.

Front End Load: Sales charge applied to an investment at the time of initial purchase.

Fully Managed Fund: A term generally used when a fund's prospectus permits assets to be converted to debt securities or all cash at management's discretion, for timing purchases and sales.

Fundamental Analysis: Analysis of corporate balance sheets, income statements, management, sales, products and markets in order to forecast future stock price movements.

Futures Contracts: Obligations to buy or deliver a quantity of the underlying commodity or financial instrument at the agreed-upon price by a certain date. Most contracts are simply nullified by an opposite trade before they come due.

General Obligation Securities: The obligations of an issuer with taxing power that are payable from the issuer's general, unrestricted revenues. These securities are backed by the full faith, credit and taxing power of the issuer for the payment of principal and interest; they are not limited to repayment from any particular fund or revenue source.

Global Asset Allocation Fund: A broadly diversified fund that typically invests across a number of markets to provide a hedge against declines in the U.S. stock market. Their holdings may include U.S. stocks; international stocks; U.S. bonds, often governments; international bonds; gold or gold mining shares; cash equivalents, and sometimes real estate securities. They seek satisfactory performance in almost all foreseeable economic climates – inflation, deflation, stability.

Global Fund: A fund that invests in the securities of the U.S. as well as those of foreign countries.

GNMA Fund: A fund investing in GNMA securities issued by the Government National Mortgage Association, a corporation that helps finance mortgages.

Growth Fund: A mutual fund whose primary investment objective is long term growth of capital. It invests primarily in common stocks with growth potential.

Growth - Income Fund: A mutual fund whose aim is to provide for a degree of both income and long term growth.

Hedge: To offset. To safeguard oneself from loss by making compensating arrangements on the other side. For example, to hedge one's long positions from short sales, so that if the market declines the loss of the positions will be offset by profit on the short positions.

Hedge Fund: A fund whose policy is to hedge long positions with short positions. Occasionally used to describe an aggressive fund.

Illiquid Securities: According to SEC regulations, open-end investment companies (mutual funds) can invest no more than 15 percent of their capital in illiquid investments. This rule is aimed at assuring that the funds will be able to redeem their shares on demand.

Incentive Compensation: The fee paid to a fund manager based upon performance in relation to a specific index.

Income Dividends: Payments to mutual fund shareholders of dividends, interest and short term capital gains earned on the fund's portfolio securities after deduction of operating expenses.

Income Fund: A mutual fund whose primary investment objective is current income rather than growth of capital. It usually invests in stocks and bonds that normally pay higher dividends and interest.

Index Fund: A mutual fund whose investment objective is to match the composite investment performance of a large group of publicly-traded common stocks represented in a stock market index.

Individual Retirement Account (IRA): A retirement program for working individuals. An individual may contribute and deduct from his or her income tax a dollar amount subject to current IRS limits. An Individual Retirement Account is often funded with mutual fund shares.

Institutional Investor: A bank, insurance company, mutual or pension fund that invests other people's money on their behalf. It typically trades securities in larger volume than individuals.

Industrial Group Index: The grouping of stocks comprised of a specific industry group.

Investment Advisor (Manager): Under the Investment Company Act of 1940, a company providing investment advice, research and often administrative and similar services for an agreed-upon fee, as a percentage of net assets.

Investment Advisors Act of 1940: Covers the registration and regulation of most persons who provide investment advice to individuals or institutions, including investment companies, for compensation.

Investment Advisory Agreement: An agreement between an investment company (mutual fund) and an investment manager, contracting with the investment manager to provide investment advice to the investment company for a fee.

Investment Company: A corporation, trust or partnership in which investors pool their money to obtain professional management and diversification of their investments. Mutual funds are the most popular type of investment company.

Investment Company Act of 1940: The federal law governing the registration and regulation of mutual funds.

Investment Objective: The goal – e.g., long-term capital growth, current income, etc. – of an investor or a mutual fund.

Junk Bonds: Low-quality, high-risk bonds that typically offer above average yields.

Legal List: A list published by a state government authority enumerating or setting standards for securities appropriate for money held in trust.

Letter of Intent: An agreement by which a shareholder agrees to buy a specified dollar amount of mutual fund shares, usually over 13 months, in order to receive a lower sales charge provided the agreed amount is invested.

Letter Stock: A form or restricted security so-called because it is generally accompanied by a letter stating that the stock has been purchased only for investment and will not be offered to the public until registered. (See Restricted Securities.)

Leverage: The use of borrowed money.

Liquidity: The ease of converting an asset to cash. (See Illiquid Securities.)

Liquid Asset Fund: A money market fund.

Load: The sales charge or commission for buying a mutual fund.

Load Fund: A fund whose shares are sold by a broker or salesman with a sales charge.

Long Term Funds: An industry designation for all funds other than short term funds (money market and short term municipal bond). The two broad categories of long term funds are equity and bond/income funds.

Management Company: The entity which manages a fund, as distinct from the fund itself. Officials of both, and even of a company distributing shares or acting as a broker may be the same persons.

Management Fee: The amount paid by a mutual fund to the investment advisor for its services. Fees vary and depend on the nature of the fund's investment objective and its total assets.

Market Timer: An investor who attempts to time the market so that shares are sold before they decrease in value and bought when they are about to increase in value. Sometimes the strategy calls for frequent buy and sell decisions.

Money Managers: Professionals employed by mutual fund companies to invest the pool of money in accordance with the fund's investment objectives. Also called portfolio managers.

Money Market Fund: A mutual fund whose primary objective is to make higher interest securities available to the average investor who wants safety of principal, liquidity, and current income. This is accomplished through the purchase of short term money market instruments such as U.S. Government securities, bank securities, bank certificates of deposit and commercial paper.

Money Market Instruments: Include the following types of short term investments: U.S. Government securities, certificates of deposit, time deposits, bankers acceptances, commercial paper and other corporate obligations; also included within such term are short term repurchase agreements backed by any of the foregoing instruments.

Mortgage-backed Securities: Pass-through securities created from pools of mortgages that are packaged together and sold as bonds. The monthly payments of interest and principal on the underlying mortgage debt are passed through to investors.

Municipal Bond Fund: A mutual fund which invests in a broad range of tax-exempt bonds issued by states, cities and other local governments. The interest obtained from these bonds is passed through to shareholders free of federal tax. The fund's primary objective is current tax free income.

Municipal Securities: Include a wide variety of debt obligations issued for public purposes by or on behalf of the States, territories and possessions of the United States, their political subdivisions, the District of Columbia, and the duly constituted authorities, agencies, public corporations and other instrumentalities of these jurisdictions. Municipal Securities may be used for numerous public purposes, including construction of public facilities, such as airports, bridges, highways, housing, hospitals, mass transportation, schools, streets, water and sewer works and gas and electric utilities. Municipal Securities may also be used to obtain funds to lend to other public institutions and to certain private borrowers. Municipal Securities are generally classified as either the general obligation, revenue, or industrial type.

Mutual Fund: An investment company that pools investors' money and is managed by a professional advisor. It ordinarily stands ready to buy back (redeem) its shares at their current net asset value; the value of the shares depends on the market value of the fund's portfolio securities at the time. Most mutual funds continuously offer new shares to investors.

NASDAQ: An automated information network which provides brokers and dealers with price quotations on securities traded over-the-counter. NASDAQ is an acronym for National Association of Securities Dealers Automated Quotations.

National Association of Securities Dealers, Inc. (NASD), now known as FINRA, Financial Industry Regulation Authority: A Self Regulatory Organization (SRO) charged by federal law with policing the SEC regulations applying to mutual funds and over-the-counter securities, but not those traded on stock exchanges.

Nest Egg: Assets put aside to provide for a secure standard of living after one's retirement.

Net Assets: A fund's total assets less current liabilities such as taxes and other operating expenses.

Net Asset Value Per Share (NAV): A fund's total assets – securities, cash and any accrued earnings – after deduction of liabilities, divided by the number of shares outstanding.

Net Investment Income Per Share: Dividends and interest earned during an accounting period (such as a year) on a fund's portfolio, less operating expenses, divided by the number of shares outstanding.

Net Realized Capital Gains Per Share: the amount of capital gains realized on sale of a fund's portfolio holdings during an accounting period (such as a year), less losses realized on such transactions, divided by the number of shares outstanding.

No-Load Fund: A mutual fund selling its shares at net asset value, without the addition of sales charges. In some cases, the fund may have a nominal 12b-1 or redemption fee.

Non-Diversified Investment Company: A fund whose portfolio does not meet the requirements of the Investment Company Act of 1940 to qualify as a diversified investment company. For example, a fund which (as to 50% of its assets) may invest up to 25% in the securities of one company.

Offering Price: Same as asked price, which is net asset value per share plus an applicable sales commission.

Open End Investment Company: The more formal name for a mutual fund, indicating that it stands ready to redeem its shares (buy them back) on demand.

Over-the-Counter Market: A trading network composed of dealers nation-wide who trade issues on other than the regular stock exchanges.

Payment Date: The day on which a distribution is mailed to shareholders. Usually later than the declaration date, which is the day the distribution is announced by the board of directors; and usually follows the record date, which is the date the distribution goes ex-dividend. Only shareholders as of the record date are entitled to the payment.

Performance Results: The percentage change in a fund's per share value over a specified period of time. As used in the mutual fund industry, it generally includes the value of the income and capital gains dividends distributed during the specified period.

Portfolio: The group name for securities owned by a fund.

Portfolio Managers: (See Money Managers.)

Portfolio Turnover: Generally stated in a percentage of total assets in a year. For example, 80% of the dollar value of a portfolio's holdings were changed in a year. (See Turnover Ratio.)

Preferred Stock: An equity security generally carrying a fixed return in percentage or dollars, which must be paid before common stock holders can share in earnings or assets.

Premium: The percentage above asset value at which a closed end investment company sells in the open market. Applies to closed end funds whose shares must be purchased or sold only through a broker and not through the fund.

Prospectus: The official document which describes the mutual fund and offers its shares for sale. It contains information required by the Securities and Exchange Commission on such subjects as the fund's investment objectives and policies, services, investment restrictions, officers and directors, how shares can be bought and redeemed, its charges and its financial statements. A more detailed document known as "Part B" of the prospectus or the Statement of Additional Information is available upon request.

Proxy: Enables shareholders not attending a fund meeting to transfer their voting power to another person, usually fund management, to vote on fund business at the meeting.

Prudent Man Rule: The rule which enables a trustee to use his own judgment in making investments as long as he acts conservatively. This rule comes from an 1830 court decision.

Publicly Traded Investment Company: A closed-end fund.

Qualified For Sale: Qualified by reason of registration with the SEC or in accordance with a state's regulations.

Real Estate Investment Trust: (REIT). An investment company that specializes in real estate holdings. Cannot be a mutual fund because investments are considered illiquid. (See Illiquid Securities.)

Record Date: The date on which declared distributions are set aside (held separate, for payment to shareholders at a later date, payment date) and deducted from total net assets.

Redemption Fee: The charge levied by some funds when shares are redeemed.

Redemption Price: The amount per share the mutual fund shareholder receives when he cashes in his shares. The value of the shares depends on the market value of the fund's portfolio securities at the time (less any redemption fees).

Red Herring: A preliminary prospectus.

Registrar: The organization, usually a bank, that maintains a registry of the share owners of a mutual fund, and the number of shares they own.

Reinvestment Privilege: A service provided by most mutual funds for the automatic reinvestment of a shareholder's income dividends and capital gains distributions in additional shares at NAV.

Repos: Abbreviation for repurchase agreements.

Repurchase Agreements: A sale of securities with the concurrent agreement of the seller to repurchase the securities at the same price plus an amount equal to interest at an agreed-upon rate, within a specified time.

Restricted Security: One which requires registration with the SEC before it may be sold to the public. Because of this restriction, the security may not be considered a liquid asset and therefore may be priced at a substantial discount from market value.

Revenue Securities: Securities repayable only from revenues derived from a particular facility, local agency, special tax, facility user or other specific revenue source; certain revenue issues may also be backed by a reserve fund or specific collateral.

Reverse Repurchase Agreements: Ordinary repurchase agreements in which a Fund is the seller of securities, rather than the investor in securities, and agrees to repurchase them at an agreed-upon time and price. Use of reverse repurchase agreements may be preferable to a regular sale and later repurchase of the securities.

Right of Accumulation: The right to combine a current mutual fund share purchase with shares previously acquired and currently owned to qualify for a quantity discount that reduces the sales charge on that purchase.

Rule 12b-1: A rule under Section 12 of the Investment Company Act of 1940 that permits the use of a fund's assets to pay distribution-related expenses subject to certain conditions.

Sales Charge: An amount charged to purchase shares in a mutual fund. The charge varies based on the amount invested. The charge is added to the net asset value per share in the determination of the offering price. Also known as a front-end sales charge. (See Contingent Deferred Sales Charge and 12b-1 Plan.)

Sales Force Marketing: A method of distribution whereby funds sell their shares to the public through brokers, financial planners, and insurance agents. Some fund organizations sell shares through a captive sales force – salespeople employed by the fund organization to market only the shares of its associated funds.

Sector: Particular group of stocks, usually found in one industry.

Sector Funds: A number of separate industry portfolios grouped under the umbrella of one fund. The advisor usually provides easy switching by phone between portfolios and a related money fund.

Securities and Exchange Commission (SEC): The agency of the U.S. government which administers Federal securities laws.

Senior Securities: Notes, bonds, debentures or preferred stocks, which have a prior (senior) claim ahead of common stock to assets and earnings.

Series Fund: An investment company that offers multiple segregated portfolios of common stock.

Service Fee: A payment by a fund to brokers, financial planners, and money managers for personal service to shareholders and/or the maintenance of shareholder accounts. Transfer agent, custodian and similar fees are not considered service fees. (Also see Trailing Commissions, 12b-1 Plan.)

Short Sale: The sale of a security which is not owned, in the hope that the price will go down so that it can be repurchased at the lower price. The person making a short sale borrows stock in order to make delivery to the buyer and must eventually purchase the stock in the open market, for return to the lender.

Short Term Fund: An industry designation for money market and short term municipal bond funds.

Single-state Funds: Funds that invest in the tax-exempt securities issued by governmental organizations of a single state. Investors receive earnings free from both federal and any state tax. Single-state funds can be both short and long term.

Social Conscience Fund: A fund that invests in the securities of companies that do not conflict with certain social priorities. For example, some social consciences funds do not invest in tobacco stocks or defense stocks.

Special Fund: A mutual fund specializing in the securities of certain industries, special types of securities or in regional investments.

Split Funding: A program which combines the purchase of mutual fund shares with the purchase of life insurance contracts or other products.

Stability: Relatively low volatility in a declining market. For example, a fund rated above-average for stability, is one that declines relatively the least.

Stock-index Arbitrage: Buying or selling baskets of stocks while at the same time executing offsetting trades in stock-index futures or options. Traders profit by trying to capture fleeting price discrepancies between stocks and the index futures or options. If stocks are temporarily cheaper than futures, for example, an arbitrageur will buy stocks and sell futures.

Target Fund: A fixed income fund whose portfolio matures within a given year. Often structured as a series fund with each series maturing in a different year depending on an expected retirement date.

Tax Anticipation Notes: Issued by governmental entities in anticipation of specific future tax revenue, such as property, income, sales, use, and business taxes. Some such notes are general obligations of the issuer, and others are payable only from specific future taxes.

Technical Analysis: Research into the supply and demand for securities based on trading volume and price studies. Technical analysis uses charts or computer programs to identify price trends in an attempt to foretell future price movements. Unlike fundamental analysts, technical analysts do not concern themselves with the financial position of a company, such as earnings, etc.

Telephone Switching/Exchange: Process of selling one mutual fund and buying another at the same time by telephone. Switching is often between stock, bond, or money market funds within the same fund family.

Total Return: A performance calculation that includes capital gains and dividend distributions. (See Performance.)

Total Return Fund: A fund whose objective is to obtain the highest possible total return, i.e., a combination of ordinary income and capital gains. Funds usually invest in a combination of dividend paying stocks and bonds.

Trailing Commission: Also called a trail, it is a small commission periodically paid to a broker or a financial planner to service an existing shareholder as long as money remains in the fund. A typical trail might be one quarter of one percent per year. It is often paid out of the 12b-1 fee. (Also see Service Fee.)

Transfer Agent: The organization which is employed by a mutual fund to prepare and maintain records relating to the accounts of its shareholders.

Treasury Bills: Marketable U.S. Government securities with an original maturity of up to one year.

Treasury Bonds: Marketable U.S. Government securities with an original maturity of ten years or more.

Treasury Notes: Marketable U.S. Government securities with an original maturity of from two to ten years.

Turnover ratio: The extent to which an investment company's portfolio is turned over during the course of a year. Calculated by dividing the lesser of purchases or sales of portfolio securities for the fiscal year by the monthly average of the value the portfolio securities owned by the mutual fund during the fiscal year. Excluded from the numerator and denominator are all U.S. Government securities and all other securities whose maturities at the time of acquisition were one year or less.

12b-1 Plan: Allows the fund to pay a percentage of its assets to cover the distributor's sales and marketing costs. The payment is a direct deduction from a fund's total assets. (See Asset-based charges.)

Underwriter or Principal Underwriter: The organization which acts as the distributor of a mutual fund's shares to broker-dealers and the public.

Unit Investment Trust: An investment company with an unmanaged portfolio that is liquidated after a specific time period.

Unrealized Appreciation or Depreciation: The amount by which the market value of a security or a portfolio of securities, at any given time, is above (appreciation) or below (depreciation) the cost price.

U.S. Government Obligations: Debt securities (including bills, notes, and bonds) issued by the U.S. Treasury or issued by an agency or instrumentality of the U.S. government which is established under the authority of an act of Congress. Such agencies or instrumentalities include, but are not limited to, the Federal National Mortgage Association, the Federal Farm Credit Bank, and the Federal Home Loan Bank. Although all obligations of agencies and instrumentalities are not direct obligations of the U.S. Treasury, payment of the interest and principal on these obligations is generally backed directly or indirectly by the U.S. government. This support can range from the backing of the full faith and credit of the United States to U.S. government guarantees, or to the backing solely of the issuing instrumentality itself. In the latter case of securities not backed by the full faith and credit of the United States, the investor must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment and may not be able to assert claim against the United States itself in the event the agency or instrumentality does not meet its commitments.

Variable Annuity: An annuity having a provision for the accumulation of an account value, for benefit payments, or both, that vary according to the investment experience of the separate account to which the amounts paid for the annuity are allocated. The holdings may consist of one or more open end mutual funds.

Volatility: The relative rate at which a fund's shares tend to move up or down in price as compared to the change in the price of a stock market index or a mutual fund average. For example, a highly volatile fund is one that usually rises or declines far more than the average fund.

Voluntary Plan: A flexible share accumulation plan in which there is no definite time period or total amount to be invested.

Withdrawal Plans: Many mutual funds offer withdrawal programs whereby shareholders receive payments from their investments at regular intervals. These payments typically are drawn from the fund's dividends and capital gains distributions, if any, and from principal to the extent necessary.

Yield: Income received from investments, usually expressed as a percentage of market price, also referred to as return. Usually computed on the basis of one year's income.

Yield to Maturity: The yield earned on a bond over its full life. Includes capital gains if the bond was bought at a discount from its face value.

Zero Coupon Bond: A bond that is bought at a price that is below par with no coupons. The return is the difference between the purchase and the sale price, or par if held to maturity. Zeros accumulate and compound interest at the same rate that prevailed when the bond was purchased.