MONEY GAINS MAKING IT COUNT

Video 7

Chapter 3: Glossary terms

Benchmark
A standard or point of reference against which the performance of an investment portfolio can be measured. A benchmark can help investors gauge whether their investments are performing better or worse than the market.

Beta
A measure of how much a stock's price moves compared to the overall market. A beta of 1 means the stock moves with the market. It helps investors understand the risk of a stock compared to the market.

Portfolio return
The total amount of money investors make or lose from their investments over a certain period, usually expressed as a percentage. It includes gains from price appreciation, as well as any income (such as dividends) from stocks, bonds and other assets held in the portfolio, shown as a percentage of the original amount invested.

Rebalancing
The process of adjusting the mix of investments in your portfolio to match your goals. For example, if one type of investment, like stocks, grows too much and becomes a bigger part of your portfolio than planned, you might sell some of it and buy more of another (like bonds) to keep your portfolio balanced and in line with your goals.

Risk-adjusted return
A way to measure how much profit an investment makes compared with the risk it takes. It helps investors determine if an investment is worth the risk they're taking. A higher risk-adjusted return means you're earning more money for the level of risk you're taking.

Sharpe ratio
A risk-adjusted return metric that measures how well an investment performs compared with the risk it involves. It takes the investment's return and subtracts a "risk free" return, like that on a Treasury bond, and then divides that by the investment's risk. A higher Sharpe ratio means the investment is giving you more reward for the risk you're taking.

Standard deviation
The volatility of an investment's returns relative to its average return. The larger the standard deviation, the wider the variation of returns, and the smaller the standard deviation, the steadier the returns.

Volatility
Refers to how much the price of an investment, such as a stock, goes up and down over time. High volatility means the price can change a lot in a short period, while low volatility means the price stays more stable.

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