

# Investment Terms, Abbreviations and Index Definitions

## **10 Year TIPS**

The 10 year breakeven rate measures the difference or gap between 10 year U.S. Treasury Bond and Treasury Inflation Protected Securities (TIPS). The 10 year breakeven rate serves as an indication of the markets' inflation expectations over the 10 year horizon.

## **10 Year Treasury Rate**

The 10 Year U.S. Treasury Rate is the rate received for investing in a U.S. government issued treasury security that has a maturity of 10 years.

## **2 Year Treasury Rate**

The 2 Year U.S. Treasury Rate is the rate received for investing in a U.S. government issued treasury security that has a maturity of 2 years.

## — A —

## **Alpha**

Alpha is the portion of a fund's total return that is unique to that fund and is independent of movements in the benchmark.

## **Asian Financial Crisis**

The Asian financial crisis took place between 1997 and 1998. While there remains much debate about the specific causes, the crisis encompassed much of Southeast Asia starting in Thailand and expanding to South Korea, Singapore, Malaysia, Indonesia and the Philippines. The crisis caused significant currency devaluations, debt defaults, and market crashes. Earnings fell significantly in these markets and were further reduced when translated into U.S. dollar terms.

## **Average Hourly Earnings**

The Bureau of Labor Statistics calculates average hourly earnings based on payroll data and are computed by dividing the total worker payroll for the U.S. by the sum of total worker hours and one-half of total overtime hours.

## **Average Interest Coverage Ratio**

The "average" refers to the arithmetic mean, the sum of the numbers divided by how many numbers are being averaged. The Interest coverage ratio measures how many times over a company could pay its current interest payment with its available earnings. It measures the margin of safety a company has for paying interest during a given period, which a company needs in order to survive any financial hardship that may arise. A company's ability to meet its interest obligations is an aspect of a company's solvency, and is thus a very important factor in the return for shareholders.

### **Bank Lending Survey**

Bank Lending Surveys (also known as Senior Loan Officer Surveys) attempt to track bank lending conditions within a specific economy. The Commercial and Industrial (C&I) business survey measures the tightening or loosening of lending standards to both large and small C&I businesses and is conducted among senior loan officers at lending institutions by the Federal Reserve. A diffusion index is created with the results whereby a number above zero indicates a tightening trend while a number below zero indicates a loosening trend in bank lending conditions.

### **Bear Market Cycle**

We define a bear market cycle as one that covers a period of time where the equity market (as measured by the S&P 500® Index) falls at least 20 percent from a peak and does not recover for at least three months. The trough is established by the start of the next bull market. The bear market captures the period between the market peak and trough.

### **Beta**

Measures an asset's sensitivity to market movements or risk (volatility).

### **Bloomberg 1-3 year Government/Credit Index**

An index that includes all securities in the Bloomberg U.S. Aggregate Index that have a maturity of 1-3 years.

### **Bloomberg CMBS Index**

An index that includes investment-grade commercial mortgage-backed securities (CMBS), which are classes of securities that represent interests in pools of commercial mortgages.

### **Bloomberg Corporate Bankruptcy Index (Bankruptcy Index)**

Measures both the occurrence and severity of current and recent U.S. bankruptcy activity for corporations with at least \$50 million in reported liabilities.

### **Bloomberg Emerging Markets U.S. Dollar Index**

An index that includes all investment grade and non-investment grade emerging market debt issued in U.S. Dollars. Issuers include sovereign, quasi-sovereign, and corporations.

### **Bloomberg Global Aggregate Index**

The Index is a flagship measure of global investment grade debt and includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging market issuers.

### **Bloomberg Municipal Bond Index**

An index that includes all U.S. Dollar denominated long-term tax exempt bonds.

### **Bloomberg U.S. Aggregate ABS Index**

An index that includes all ABS (asset backed securities) that are included in the Bloomberg U.S. Aggregate Bond Index.

### **Bloomberg U.S. Aggregate Bond Index (Bloomberg Agg)**

An index comprised of U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years.

### **Bloomberg U.S. Aggregate MBS Index**

An index that includes all MBS (mortgage backed securities) that are included in the Bloomberg U.S. Aggregate Bond Index.

### **Bloomberg U.S. Corporate Bond Index**

An index comprised of the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. corporations.

### **Bloomberg U.S. Corporate High Yield Bond Index (Bloomberg HY)**

Measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on emerging market country definition, are excluded.

### **Bloomberg U.S. Financial Conditions Index**

Bloomberg U.S. Financial Conditions Index tracks the overall level of financial stress in the U.S. money, bond and equity markets to help assess the availability and cost of credit.

### **Bloomberg U.S. Long Treasury Index**

An index measuring U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with 10 years or more to maturity.

### **Bloomberg U.S. Mortgage Backed Securities (MBS) Index**

The Index includes fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

### **Bloomberg U.S. TIPS Index**

The Index measures the performance of the U.S. (TIPS) Treasury Inflation Protected Securities market.

### **Bloomberg U.S. Treasury 5-10 year Index**

An index composed of U.S. Treasury issued fixed-rate securities with 5-10 years to maturity.

### **Bloomberg U.S. Treasury 10-20 year Index**

An index composed of U.S. Treasury issued fixed-rate securities with 10-20 years to maturity.

### **Bloomberg High Yield Option Adjusted Spread (OAS)**

The Bloomberg High Yield Option Adjusted Spread looks at the yield spread between the Bloomberg High Yield Index and the duration equivalent Treasury bond yield and then adjusts for any call features.

## **Bull Market Cycle**

We define a bull market cycle as one that covers a period of time where the equity market (as measured by the S&P 500® Index) rises at least 50 percent from the trough and lasts until the next bear market begins. The bull market cycle spans from the previous bear market trough to bull market peak.



## **Cash Flow (CF)**

A measure of cash generated by a company's regular business operations.

## **CBO**

CBO abbreviates Congressional Budget Office

## **CBOE Volatility Index (VIX)**

A measure of market expectations of near-term volatility conveyed by S&P 500® stock index option prices. Expected volatility is measured by averaging the weighted prices of S&P 500® puts and calls over a wide range of strike prices. The VIX is quoted in percentage points and reflects the implied movement in the S&P 500® over the next 30 days, which is then annualized (with the assumption of a 68 percent probability, i.e., one standard deviation).

## **Capital Goods Orders**

Measures the dollar value of new orders for manufactured goods. Orders for aircraft and defense are excluded to control for the volatile impact of large single orders of items such as an airplane or ship. These orders provide an indication of future capital spending.

## **Capital Spending Survey**

A survey conducted by the National Federation of Independent Businesses (NFIB) Research Foundation of small businesses provides an indication of future capital outlays over the coming six months. The survey provides an indication of future capital spending by smaller businesses, which tend to be more economically sensitive.

## **Collateralized Loan Obligation (CLO)**

A collateralized loan obligation is a security backed by a pool of debt, often low-rated corporate loans (aka leveraged loans or floating rate loans). A CLO manager purchases the individual loans, bundles the loans together and then sells stakes in the CLO to outside investors.

## **Commercial and Industrial Loans (C&I)**

Are commercial and/or industrial loans made to a business or corporation. Typically, C&I loans are short-term with variable interest rates and are backed by collateral

## **Consumer Confidence Index**

A survey, administered by The Conference Board, that measures how optimistic or pessimistic consumers are regarding their expected financial situation.

## **Consumer Price Index for All Urban Consumers**

All Items Less Food & Energy (Core CPI)

An aggregate of prices paid by urban consumers for a typical basket of goods, excluding food and energy. This measurement, known as "Core CPI," is widely used by economists because food and energy have very volatile prices. The Bureau of Labor Statistics defines and measures the CPI.

## **Cons**

Cons abbreviates Consumer

## **Convexity**

As interest rates change, a bond's duration changes. Convexity measures the sensitivity of a bond's duration to changes in yield. A bond with positive convexity indicates that duration increases as the interest rates declines. In other words, a bond with positive convexity will see a larger increase in price due to a decline in yield than indicated solely by duration.

## **Commodity Research Bureau (CRB) – Raw Industrials Index**

This index is a measure of price movements of 19 basic commodities that are presumed to be among the first to be influenced by economic conditions.

## **CPI**

CPI abbreviates Consumer Price Index

## **Credit Spread**

A credit spread is the difference in yield between debt securities of the same maturity but different qualities. Credit spreads are measured in basis points, with a 1 percent difference in yield equal to a spread of 100 basis points.

## **Credit Suisse Leveraged Index**

The Credit Suisse Leveraged Loan index tracks the investable market of the U.S. dollar denominated leveraged loan market. It consists of issues rated below investment grade. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries.

## **— D —**

## **Discount Margin**

The discount margin is commonly used to calculate the additional return (or spread) of a floating-rate security over the reference rate of the security.

## **Diversification Ratio**

Measures to what extent a portfolio is diversified. Technically the diversification ratio is the ratio of the weighted average of the volatilities of each stock in a portfolio divided by the volatility of the portfolio as a whole.

## **Dividend Yield**

A financial ratio that shows how much a company pays out in dividends each year relative to its stock price.

## **Dow Jones Equity REIT Index**

This index is comprised of REITs (real estate investment trusts) that directly own all or part of the properties in their portfolios.

## **Duration**

A measure of sensitivity of the price of a bond to interest rate changes. Technically it is an estimate of the number of years it will take to receive the bond's price from the total cash flows.

## — E —

### **EAFE**

EAFE abbreviates Europe, Australasia, and the Far East

### **EBITDA**

EBITDA stands for Earnings Before Interest, Taxes, Depreciation, and Amortization and acts as a rough estimate for the amount of cash generated in a given time period.

### **EM**

EM abbreviates Emerging Markets

### **Employment Cost Index**

Measures changes in employee compensation costs. These costs include both direct costs (such as wages, bonuses, or in-kind benefits) as well as indirect costs (such as social security contributions, training costs, medical benefits, etc.)

### **Enterprise Value (EV)**

EV is a more comprehensive measure of a company's value by including net debt with equity. The calculation adds the equity market value to total debt outstanding and subtracts any cash.

### **EPS**

EPS abbreviates Earnings Per Share

### **EU Sovereign Yield**

Yield that the European Union pays on its debt securities such as bonds or treasury bills.

### **Euro**

Euro is the currency of the Eurozone.

### **Euro STOXX**

Family of stock market indices developed by STOXX Ltd. that track publicly traded companies within the Eurozone.

### **Eurozone**

Europe is defined as the 27 nations within the European Union. Twenty of those nations currently use the euro as their currency, and the European Central Bank (ECB) serves as the central bank for these countries.

### **Eurozone Economic Sentiment**

The Economic Sentiment Indicator is calculated from the European Commission's Business and Consumer Surveys. It is constructed from the following indicators: the industrial confidence indicator (40 percent), the service confidence indicator (30 percent), the consumer confidence indicator (20 percent), the construction confidence indicator (5 percent) and the retail trade confidence indicator (5 percent).

### **Eurozone Industrial Production**

Industrial production measures the output of industrial establishments in the following industries: mining and quarrying, manufacturing and public utilities (electricity, gas and water supply). Production is based on the volume of the output.

## **EV/EBITDA**

EV/EBITDA abbreviates Enterprise Value divided by Earnings Before Interest, Taxes, Depreciation and Amortization. It is a widely used valuation multiple that compares the value of a company to its operating cash earnings.

## **— F —**

## **Federal Funds Rate**

A target rate of interest set by the FOMC (Federal Open Markets Committee) to guide overnight lending rates among U.S. banks.

## **Frank Russell Company (FRC)**

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## **FTM**

FTM abbreviates Forward Twelve Months

## **FX Reserves**

Foreign exchange reserves is money or other assets held by a monetary authority (or central bank).

## **U.S. Federal Reserve Board (Fed)**

The Fed is the central governing body of the Federal Reserve System which serves as the central bank for the United States.

## **— G —**

## **GDP**

GDP abbreviates Gross Domestic Product

## **Goldman Sachs U.S. Financial Conditions Index**

A weighted average of riskless interest rates, the exchange rate, equity valuations, and credit spreads, with weights that correspond to the direct impact of each variable on GDP.

## **— I —**

## **IG**

IG abbreviates Investment Grade

## **IHS Markit Global Diffusion Indexes**

These diffusion indexes are based on surveys of purchasing managers on the state of business versus the previous month. Measures above 50 indicate business expansion. We use global indexes due to the significant global company representation found in the MSCI EAFE Index. There is a bias in the stock index toward manufactured goods, while services carry a greater weight in the composite.

## **Inflation**

A general increase in prices and fall in the purchasing value of money. Inflation is generally measured by comparing the price of a basket of goods with the price of a similar basket in past periods.

## **Info**

Info abbreviates Information

## **Intercontinental Exchange (ICE) U.S. Dollar Index**

The ICE U.S. Dollar Index is a measure of the value of the U.S. dollar relative to a basket of foreign currencies. The index is a geometrically averaged calculation of six currencies weighted against the U.S. dollar. The index was established in 1973 and includes six currencies: the Euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc.

## **ICE BofA Fixed Rate Preferred Securities**

An index that measures the performance of fixed rate US dollar denominated preferred securities issued in the US domestic market. Qualifying securities must have an investment grade rating and must have an investment grade rated country of risk.

## **ICE BofA 1-Year U.S. Treasury Note Index**

An unmanaged index comprised of a single issue purchased at the beginning of the month and held for a full month. The issue selected at each month-end rebalancing is the outstanding two-year Treasury Note Bill that matures closest to, but, not beyond one year from the rebalancing date.

## **ICE BofA 3-Month U.S. Treasury Bill Index**

An unmanaged index of Treasury securities maturing in 90 days that assumes reinvestment of all income.

## **ICE BofA U.S. Floating Rate High Yield Index**

An index that tracks the performance of floating rate USD denominated below investment grade corporate debt publicly issued in the US domestic market.

## **IG Corporate**

IG abbreviates Investment Grade

## **ISM Manufacturing PMI SA / Manufacturing Purchasing Manager Index (ISM)**

A diffusion index based on survey results. Figures below 50 indicates conditions contracted from previous month and vice versa for figures above 50. ISM = Institute for Supply Management. PMI = Purchasing Managers Index. SA = Seasonally Adjusted.

— J —

## **JPY**

JPY abbreviates Japanese yen



## — L —

### **LEI**

LEI abbreviates Leading Economic Indicators -created by the Conference Board to provide an early indication of significant turning points in the business cycle and where the economy is heading in the near term.

### **Leveraged Loan (Lev. Loan)**

A leveraged loan is debt from companies with below investment grade credit ratings. Leveraged loans are typically secured with a lien on the company's assets and are generally senior to the company's other debt. The vast majority of leverage loans are floating-rate instruments that periodically reset to a spread over a base rate (typically LIBOR). Leveraged loans are first structured, arranged, and administered by one or several commercial or investment banks, known as arrangers. They are then sold (or syndicated) to other banks or institutional investors. Leveraged loans can also be referred to as senior secured credits, bank loans, and floating-rate loans.

## — M —

### **MA**

MA abbreviates Moving Average

### **MFG**

Mfg abbreviates Manufacturing

### **Mfg New Orders**

Is a measure of the total value of new purchase orders received by manufacturers for durable and non-durable goods during a specific time period. It is an indicator of current and future demand for manufactured goods.

### **Modified Adjusted Duration**

Modified Adjusted Duration is a measure of the sensitivity of a bond to changes in interest rates. This measure can be used to estimate the effect of a 100 basis point (1 percent) change in interest rates will have on the price of a bond. The calculation of modified adjusted duration takes into account any bond option provisions.

### **Monetary Policy**

Monetary Policy is the macroeconomic policy laid down by the central bank. It involves management of money supply and interest rate and is the demand side economic policy used by the government of a country to achieve macroeconomic objectives like inflation, consumption, growth and liquidity.

### **Money Supply (M1)**

Money supply is a measure of the amount of monetary assets outstanding. Measures of money supply differ in liquidity, or ease of access. M1 is considered one of the narrowest measures of money supply as it includes only those monetary assets that can be accessed immediately. M1 includes cash and checking accounts. Narrower measures of money like M1 are believed to be most directly influenced by monetary policy actions.

### **Money Supply – M2**

The Federal Reserve publishes data on two measures of money supply, M1 and M2. M2 is the broader measure of money. M1 is mostly made up of currency and checking accounts – the most liquid assets. M2 includes M1 plus other transaction accounts that can be readily accessed with little or no loss of principal such as savings accounts, money market accounts, and small denomination time deposits.

### **Morningstar LSTA U.S. Leveraged Loan 100 Index**

Designed to measure the performance of the 100 largest facilities in the US leveraged loan market. Index constituents are market-value weighted, subject to a single loan facility weight cap of 2%.

### **Mortgage Applications**

As measured by the Mortgage Bankers Association through a survey covering 75% of U.S. mortgage applications originated through retail and consumer direct channels. It does not distinguish whether the application is for a new loan or the refinancing of an existing loan.

### **MSCI EAFE Index**

A free-float-adjusted market capitalization index that is designed to measure developed market equity performance excluding the U.S. and Canada.

### **MSCI Emerging Markets (EM) Index**

A free-float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

### **MSCI Emerging Markets Currency Index**

Tracks the performance of the currencies of the MSCI Emerging Markets Index relative to the U.S. Dollar. Each emerging market currency is weighted the same as in the MSCI Emerging Markets Index.

### **MSCI EAFE Small Cap Index**

An equity index which captures small cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. The index covers approximately 14 percent of the free float-adjusted market capitalization in each country.

### **MSCI Europe Index**

Captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. The index covers approximately 85 percent of the free float-adjusted market capitalization across the European Developed Markets equity universe.

### **MSCI Japan Index**

Designed to measure the performance of the large and mid cap segments of the Japanese market. The index covers approximately 85 percent of the free float-adjusted market capitalization in Japan. MSCI World Index captures large and mid cap representation across 23 Developed Markets (DM) countries. With 1,648 constituents, the index covers approximately 85 percent of the free float-adjusted market capitalization in each country.

### **MSCI World Index**

Captures large and mid cap representation across 23 Developed Markets (DM) countries. With 1,648 constituents, the index covers approximately 85 percent of the free float-adjusted market capitalization in each country.

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### **National Federation of Independent Business (NFIB) Small Business Optimism Index**

Known as a leading index, it is based on a survey of small business owners covering 10 different components that include hiring plans, expansion plans, credit conditions, and inventory levels.

### **NASDAQ 100 Index**

Includes 100 of the largest domestic and international non-financial companies listed on the NASDAQ Stock Market based on market capitalization.

### **Net Debt/EBITDA**

Net Debt/EBITDA is a leverage ratio that measures a company's ability to repay its debt. Net debt is equal to total debt less cash and cash equivalents. EBITDA is a measure of cash generation consisting of Earnings Before Interest, Taxes, Depreciation, and Amortization.

### **Nominal GDP**

Nominal gross domestic product (Nominal GDP) is calculated by the Bureau of Economic Analysis that serves as a measure of total market value of the goods and services produced (output) in the U.S. (un-adjusted for price changes). Nominal GDP is the sum of consumer spending, investments made by industry, the excess of Exports over Imports and Government Spending.

### **Normalized Unit**

Normalization adjusts or rescales the values of different time series to a notionally common scale to allow for comparability.

### **NY Federal Corporate High Yield Bond Distress Index**

The distress index uses liquidity measures that can indicate market stress. It incorporates a wide range of indicators, including measures of primary market issuance and pricing, secondary market pricing and liquidity conditions, and the relative pricing between traded and nontraded bonds.

## — O —

### **Option Adjusted Spread (OAS)**

Attempts to measure the additional yield received for taking credit risk. It is the difference between the yield to worst on a bond and the duration equivalent yield on a risk free bond.

## — P —

### **Par Weighted Price**

Weights the price of each bond by its relative size in the index. It indicates whether the index is generally selling at prices above or below face value which can influence interest rate sensitivity.

### **PCE**

PCE abbreviates Personal Consumption Expenditures

## **P/CF**

P/CF abbreviates Price-to-Cash Flow. It is a valuation measure that indicates how much investors are willing to pay for one dollar of a company's cash flow.

## **PE or P/E**

P/E abbreviates price-to-earnings ratio

## **Peso**

Currency used in Latin America and the Philippines

## **Pound**

Unit of currency, most notably the British Pound Sterling

## **PPI**

PPI abbreviates Producer Price Index

## **Price/Earnings Ratio**

Is a stock valuation measure that indicates how much investors are willing to pay for one dollar of a company's earnings.

## **Purchasing Power of Parity (PPP)**

Purchasing Power of Parity is a theoretical concept that adjusts a currency value for its purchasing power in another country and currency. For example, a basket of goods is purchased in U.S. and then the same basket of goods is purchased in China in yuan. The PPP of the yuan would be the exchange rate between the U.S. dollar and yuan that would make that basket of goods cost the same.

## **Profit Margin (S&P 500® Index)**

Trailing 12-month Earnings before extraordinary items divided by trailing 12-month Sales.

## **Producer Price Index**

Measures the change in the price of goods as they leave their place of production.

## **P/S**

P/S abbreviates Price/Sales Ratio



## **Q/Q**

Q/Q abbreviates Quarter over Quarter

## **Quantitative Easing**

Quantitative easing is defined as large scale purchases of securities, typically fixed income, by a monetary authority such as the Federal Reserve. In theory, the result is an increase in demand for those securities, putting upward pressure on their prices and pushing yields down. Quantitative easing allows a monetary authority the ability to influence longer duration securities, while traditional monetary tools can only directly influence shorter duration securities.

## **Real**

Real (BRL) is the currency of Brazil

## **Real Business Spending**

Known as nonresidential fixed investments, real business spending is calculated by the Bureau of Economic Analysis as the summation of business expenditures for structures, equipment and software adjusted for inflation.

## **Real Consumer Spending**

Known as personal consumption expenditures, real consumer spending is calculated by the Bureau of Economic Analysis as the summation of the goods and services purchased by U.S. residents adjusted for inflation.

## **Real GDP**

Real gross domestic product (GDP) is calculated by the Bureau of Economic Analysis that serves as a measure of total market value of the goods and services produced (output) in the U.S. adjusted for inflation. GDP is the sum of consumer spending, investments made by industry, the excess of Exports over Imports and Government Spending.

## **Relative Earnings Growth**

Earnings estimates are compiled by Bloomberg and are based on weighted Wall Street bottom-up estimates for each stock in the index. Historical forward earnings capture earnings expectations at past points in time.

## **Relative Price-to-Book**

By dividing the Price-to-Book of one index by that of another, over time one can observe relative changes in Price-to-Book and identify past peaks and troughs.

## **ROE**

ROE abbreviates return on equity

## **Rupee**

Currency used by several countries in South Asia and East Africa, most notably India

## **Russell 1000® Index**

Measures the performance of the 1,000 largest companies in the Russell 3000® Index.

## **Russell 1000® Growth Index**

Measures the performance of those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values.

## **Russell 1000® Value Index**

Measures those Russell 1000® companies with lower price-to-book ratios and lower expected growth values.

## **Russell 2000® Index**

Measures the performance of the small cap segment of the U.S. equity universe.

### **Russell 2000® Growth Index**

Measures the performance of those Russell 2000® companies with higher price-to-book ratios and higher forecasted growth values.

### **Russell 2000® Value Index**

Measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values.

### **Russell 2500 Index**

Measures the performance of the 2,500 smallest companies in the Russell 3000 Index

### **Russell Midcap® Index**

Measures the performance of the 800 smallest companies in the Russell 1000® Index.

### **Russell Midcap® Growth Index**

Measures the performance of those Russell Midcap® companies with higher price-to-book ratios and higher forecasted growth values.

### **Russell Midcap® Value Index**

Measures the performance of those Russell Midcap® companies with lower price-to-book ratios and lower forecasted growth values.



### **Sales/Share Growth (S&P 500®)**

Calculates the year-over-year change in quarterly sales per share.

### **SAAR**

SAAR abbreviates Seasonally Adjusted Annual Rate

### **S&P Top 50 Index**

A market cap-weighted stock market index representing 50 of the largest U.S. companies from the S&P 500. It captures performance of large, blue chip companies that have high market capitalization, strong liquidity, and are leaders in their respective industries.

### **S&P 500® Index**

This Index is a group of 500 widely held stocks and is commonly regarded to be representative of the large capitalization stock universe.

### **S&P 500 High Beta**

An index that measures the performance of 100 constituents that are most sensitive to changes in market returns.

### **S&P 500 Growth**

An index that measures the performance of the constituents that are classified as having quality characteristics.

### **S&P 500 Quality**

An index that measures the performance of the constituents that are classified as having quality characteristics.

### **S&P 500 Low Volatility**

An index that measures the performance of the constituents that are classified as growth stocks.

### **S&P 500 Value**

An index that measures the performance of the 100 least volatile constituents.

### **S&P 500 Dividend Aristocrats**

An index that measures the performance of the constituents that have increased dividends every year for the last 25 consecutive years.

### **S&P 500 Equal Weighted**

An index that measures the performance of all the 500 constituents on an equal weighted basis.

**S&P 400® Index** is an unmanaged index considered representative of mid-sized U.S. companies.

**S&P 600® Index** is an unmanaged index considered representative of U.S. small-capitalization stocks.

### **S&P 1000**

Measures the performance of the 1,000 smallest companies in the S&P 1500 Index

### **S&P UBS Leveraged Loan Index**

Tracks the performance of U.S. dollar denominated leveraged loans, which are loans made to borrowers with high debt levels.

### **S&P/LSTA Leveraged Loan Index**

The S&P/LSTA Leveraged Loan Index (LLI) covers the U.S. market back to 1997 and currently calculates on a daily basis.

### **Standard Deviation**

A measure of how far a data series moves above or below its average.

### **Stock Market Cycle**

We define a stock market cycle as the time period that encompasses a full bull market and bear market and can be measured either from trough-to-trough or peak-to-peak.

— T —

### **Tail Risk**

A potential economic or geopolitical event that is currently perceived to be fairly remote, but should it occur it would be consequential.

## **TIPS**

TIPS abbreviates U.S. Treasury Inflation Protected Securities

## **Touchstone S&P 500 EPS Simulation**

Our earnings per share (EPS) simulation is based on factors that have historically indicated S&P 500 EPS growth on a year/year basis.

## **Total Household Debt Outstanding**

Includes all U.S. consumer debt and credit obligations such as mortgages, student loans, auto loans and credit cards.

## **Total Non-financial Business Debt Outstanding**

Includes all domestic corporate and noncorporate credit market instruments. Financial firms are excluded to avoid double counting.

## **Total Public Debt Outstanding**

Includes all Federal, Federal Agency, State and Local government debt outstanding, including any intra-government holdings.

## **Total Retirement Assets**

Compiled by Investment Company Institute (ICI), total retirement assets include assets held in IRAs, defined contribution plans (DC), public and private defined benefit plans (DB), and annuities. Sources for this data include ICI, Federal Reserve Board, Department of Labor, National Association of government Defined Contribution Administrators, American council of Life Insurers, Internal Revenue Services Statistics of Income Division and Government Accountability Office.

## **Trade Weighted Dollar**

The Federal Reserve's U.S. Trade-Weighted Dollar Index is a measure that evaluates the value of the U.S. dollar against a basket of foreign currencies

## **Treasury Yield Curve**

Represents the relationship between U.S. Treasury bond yields of differing maturities. The shape of the yield curve often reflects investor expectations for interest rates, economic growth, and inflation.

## **Treasury Inflation-Protected Yields (TIPS)**

U.S. Treasury Inflation-Protected Securities are securities that are indexed to inflation. These securities adjust their face value using the Consumer Price Index, protecting both the principal and interest income by providing a real (after inflation) return.

## **TTM**

TTM abbreviates trailing 12 months



### **Unemployment Rate**

Represents the number of unemployed as a percentage of the labor force. Labor force data are restricted to people 16 years of age and older, who currently reside in one of the 50 states or the District of Columbia, who do not reside in institutions (e.g., penal and mental facilities, homes for the aged), and who are not on active duty in the Armed Forces. The Bureau of Labor Statistics defines and measures the unemployment rate.

### **Unit Labor Cost**

Unit labor costs are calculated by dividing total labor compensation by real output. Labor compensation is a measure of the cost to the employer of securing the services of labor. It includes wages and salaries, supplements (e.g., paid leave, bonus and incentive payments, and employee discounts) and employer contributions to employee-benefit plans (e.g., medical and life insurance, workmen's compensation, and unemployment insurance). Business sector real output is based on real GDP, but includes only a subset of the goods and services included in GDP since it must exclude those portions of the economy for which productivity measures cannot be constructed. The business sector comprises about 75 percent of GDP.

### **University of Michigan Current Economic Conditions Index**

Known as a coincident index, it is based on survey data that attempts to provide a representative sample of U.S. residents on how they view prospects for the general economy over the near-term.

### **U.S. Personal Consumption Expenditure Core Price Index**

Tracks overall price changes for goods and services purchased by consumers excluding the more volatile and seasonal food and energy prices. This index, known as "Core PCE" uses a Fisher price index based on expenditure data from the current and preceding period. This differs from the CPI methodology which is based on a fixed basket of goods. The PCE methodology is generally preferred by the Federal Reserve as it assumes that consumers make product substitutions based on price changes. The Bureau of Economic Analysis defines and measures the PCE price index.

### **U.S. Personal Savings Rate**

The savings rate is the percentage of people's incomes left after they pay taxes and spend money and is calculated by the Bureau of Economic Analysis.

### **U.S. Dollar Index (USD)**

This Index is maintained by Intercontinental Exchange, Inc. (ICE) and is a measure of the value of the U.S. Dollar relative to a basket of major currencies including Euro, Japanese yen, and Pound sterling.

### **U.S. Personal Savings Rate**

The savings rate is the percentage of people's incomes left after they pay taxes and spend money and is calculated by the Bureau of Economic Analysis.

### **U.S. Real Trade Weighted Dollar Index**

The Federal Reserve's U.S. Real Trade-Weighted Dollar Index is a measure that evaluates the value of the U.S. dollar against a basket of foreign currencies, adjusted for inflation differences between the U.S. and its trading partners.

## U.S. Treasuries 10Y Minus 2Y

The difference between the yield on the U.S. 10-year Treasury bond and the 2-year bond is often used as a measure of the Treasury yield curve.

— V —

## Velocity of Money

The velocity of money is the frequency at which one unit of currency is used to purchase domestically produced goods and services within a year. If the velocity of money is increasing, then more transactions are occurring between individuals in an economy. The velocity of money can provide some insight into whether consumers and businesses are saving or spending their money.

## VIX Index

This Index is maintained by the Chicago Board Options Exchange (CBOE) and is an estimate of future volatility of the S&P 500® Index. It is measured through S&P 500® Index options and based on the weighted average of the implied volatilities in the pricing of those options.

— Y —

## Y/Y

Y/Y abbreviates year over year

## Yen

Currency of Japan

## Yield-to-Worst

Yield-to-Worst is the lowest amount an investor can earn if a bond is purchased at the current price and held until call or maturity.

## Yuan

Or renminbi is the basic unit of currency in China

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