Efficient Frontier: Highest return achievable at a specific level of risk.

Emerging Markets: Investments in emerging countries such as China and Argentina. Emerging countries are most commonly defined as countries listed in the MSCI Emerging Market Index.

Fixed Income: Bonds

Global: Includes both US and international securities.

High Yield Bonds: Bonds rated below investment grade. High yield bonds generally offer greater returns than investment grade bonds because they have a greater risk of default than investment grade bonds. For example, the yield on a small debt-ridden company's bonds should be much higher than the yield on US government bonds.

International: Securities issued outside the United States.

Leverage: The creation of an exposure greater than the initial dollar amount in an investment. Generally done through borrowing money. A simple example would be borrowing dollars so one could buy more shares of a security than the investor would have been able to acquire with the dollars currently on hand.

Liquidity: The ability to be able to quickly convert a security into cash.

Prudent Investor: Professional standard which entails a higher level of duty than just avoiding negligence. To manage assets in the best interest of the client (in this case, the System and its beneficiaries) considering the risk and returns of asset classes and securities.

Rebalancing: Shifting between asset classes to maintain asset levels within acceptable ranges and near approved targets.

Risk Reward Analysis: Chart that shows the trade-off between risk (measured by standard deviation) and return. The shape of the risk return line illustrates that there are certain points where far more risk is needed to generate small amount of additional return.

Short Position: A position established by borrowing a security and selling it, with the understanding that the security must later be brought back and returned to the lender. The short seller hopes to profit by purchasing the security at a lower price.

Standard Deviation: A statistical measure of the dispersion of values in a data set from their mean. A volatile stock would have a high standard deviation. The more the returns of an investment fluctuate, the greater the standard deviation. Commonly used measure of investment risk.

Structure: Commonly refers to allocation between sub-asset classes and between active and passive management.

Sub Asset Class: A division within an asset class. Examples are growth and value stocks, emerging and developed international stocks.

Tactical Asset Allocation: Short term portfolio adjustments to take advantage of short-term trends. Staff manages a tactical asset allocation program that allows them limited authority to shift between certain specified asset class and sub-asset classes.

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