Glossary of Mutual Fund and Other Related Financial Terms

You can find more information about many of these entries in the *Investment Company Fact Book* and on www.ici.org.

actively managed fund. A fund that employs a portfolio manager or management team to manage the fund's investments to try to outperform their benchmarks and peer group average.

adviser. See **investment adviser**.

annual report. A report that a fund sends to its shareholders that discusses the fund's performance over the past fiscal year and identifies the securities in the fund's portfolio on the last business day of the fund's fiscal year. The annual report includes audited financial statements.

asset class. A group of securities or investments that have similar characteristics and behave similarly in the marketplace. Three common asset classes are equities (e.g., stocks), fixed income (e.g., bonds), and cash equivalents (e.g., money market funds).

at-the-market offering. An offering of new shares at a price determined by the same class of shares currently trading in the market. At-the-market offerings tend to be smaller than follow-on offerings and are conducted through equity distribution programs using a shelf registration statement.

auditor. An auditor certifies a fund's financial statements, providing assurance that they are prepared in conformity with generally accepted accounting principles (GAAP) and fairly present the fund's financial position and results of operations.

authorized participant. An entity, usually an institutional investor, that submits orders to an exchange-traded fund (ETF) for the creation and redemption of ETF **creation units**.

average portfolio maturity. The average maturity of all the securities in a bond or money market fund's portfolio.

back-end load. See **contingent deferred sales load (CDSL)**.

basis point. One one-hundredth of 1 percent (0.01 percent); thus, 100 basis points equals 1 percentage point. When applied to $1.00, 1 basis point is $0.0001, and 100 basis points equals one cent ($0.01). Basis points are often used to simplify percentages written in decimal form.

benchmark. A standard against which the performance of a security or a mutual fund can be measured. For example, Barclays Capital Aggregate Bond Index is a benchmark index for many bond mutual funds. Many equity mutual funds are benchmarked to the S&P 500 index. See also **index**.

bond. A debt security issued by a company, municipality, government, or government agency. A bond investor lends money to the issuer and, in exchange, the issuer promises to repay the loan amount on a specified maturity date; the issuer usually pays the bondholder periodic interest payments over the life of the loan. The term *fixed-income* is often used interchangeably with bond.

bond fund. A fund that invests primarily in bonds and other debt instruments.

breakpoints. Designated levels above which certain discounts or fee rate reductions apply. In the mutual fund context, breakpoints relate to the sales charges investors pay if they buy fund shares through a broker or other intermediary, or to the management fee the fund pays to its investment adviser. Many funds offer sales charge (load) discounts to investors when they initially purchase fund shares if the amount invested surpasses a specified breakpoint. The amount of the discount typically increases as the amount of the investment reaches higher breakpoints. Similarly, funds may establish breakpoints requiring a reduction in the rate of the management fee the fund's investment adviser may charge as fund assets surpass specified levels.

break the dollar. A phrase used to describe when the net asset value (NAV) of a government or retail money market fund that uses either the amortized cost method and/or the penny-rounding method to calculate its share price falls below its stable $1.00 NAV. This could be triggered by a deviation greater than one-half of 1 percent (one-half cent, or $0.0050) between the fund's mark-to-market value (shadow price) and its stable $1.00 NAV. Also known as *break the buck*.

broker. A firm engaged in the business of effecting transactions in securities for the accounts of others, and is often paid by commission.

broker-dealer. A broker-dealer is a firm that acts as both a **broker** and a **dealer**. Broker-dealers selling mutual fund shares are required to be registered with the SEC and regulated by FINRA. They typically are compensated for their services through sales charges paid by investors and other fees paid by the fund (e.g., **12b-1 fees**).

capital gains distributions. A distribution to mutual fund shareholders resulting from the fund's sale of securities held in its portfolio at a profit.

catch-up contribution. An additional contribution that individuals aged 50 or older are permitted to make to an individual retirement account (IRA) or employer-sponsored retirement savings plan in excess of the annual contribution limit. In 2017, the catch-up contribution amount was limited to $1,000 for traditional and Roth IRAs, $6,000 for 401(k) plans, and $3,000 for SIMPLE IRA plans.

closed-end fund. A type of investment company that issues a fixed number of shares that trade intraday on stock exchanges at market-determined prices. Investors in a closed-end fund buy or sell shares through a broker, just as they would trade the shares of any publicly traded company.

commercial paper. Short-term, unsecured notes issued by a corporation to meet immediate short-term needs for cash, such as the financing of accounts payable, inventories, and short-term liabilities. Maturities typically range from overnight to 270 days. Commercial paper usually is issued by corporations with high credit ratings and sold at a discount from face value.

common stock. An investment that represents a share of ownership in a corporation. Also known as *common shares*. See also **preferred stock**.

contingent deferred sales load (CDSL). A fee that may be imposed by a fund on shareholders who redeem (sell back to the fund) shares during the first few years of ownership. A CDSL is disclosed to shareholders in the fund's prospectus. Also known as a *back-end load*.

creation unit. Financial institutions (called authorized participants) interact directly with an ETF by purchasing and redeeming ETF shares in large blocks called creation units. A creation unit generally contains between 25,000 and 200,000 ETFs shares. See also **authorized participant**.

dealer. A firm engaged in the business of buying and selling securities for its own account.

defined benefit (DB) plan. An employer-sponsored pension plan in which the amount of future benefits an employee will receive from the plan is defined, typically by a formula based on salary history and years of service. The amount of contributions the employer is required to make will depend on the investment returns experienced by the plan and the benefits promised. Contrast **defined contribution plan**.

defined contribution (DC) plan. An employer-sponsored retirement plan, such as a 401(k) plan or a 403(b) plan, in which contributions are made to individual participant accounts. Depending on the type of DC plan, contributions may be made by the employee, the employer, or both. The employee's benefits at retirement or termination of employment are based on the employee and employer contributions and earnings and losses on those contributions. See also **401(k) plan** and **403(b) plan**. Contrast **defined benefit plan**.

director. A person serving on the board of directors of a mutual fund. Mutual fund directors oversee the management and operations of a fund organized as a corporation. Directors also have significant and specific responsibilities under the federal securities laws. Among other things, they oversee the performance of the fund, approve the fees paid to the investment adviser for its services, and oversee the fund's compliance program. All directors have a fiduciary duty to represent the interests of shareholders. See also **independent director** and **trustee**.

distribution. (1) A fund's payment of dividends and capital gains to shareholders, (2) a method of selling fund shares to the public, which could involve either direct sales from the fund to retail or institutional investors, or sales through intermediaries, such as broker-dealers, who interact directly with the purchaser of fund shares, or both, or (3) a term used to describe a withdrawal of funds from a retirement plan.

dividend. Money that a fund or company pays to its shareholders, typically from its investment income, after expenses. The amount is usually expressed on a per-share basis. A dividend is a type of **distribution**.

emerging market. Generally, economies that are in the process of growth and industrialization, for example, many countries in Africa and Latin America. Though relatively undeveloped, these economies may hold significant growth potential in the future. May also be called developing markets.

employer-sponsored retirement plan. A type of employee benefit plan that an employer offers to help its employees accumulate assets for retirement. These can include **defined contribution plans** or **defined benefit plans**.

equity. A security or investment representing ownership in a company. By contrast, a bond represents a loan from the investor (owner of the bond) to a borrower (the issuer of the bond). The term *equity* is often used interchangeably with *stock*.

equity fund. A fund that concentrates its investments in equities. Also known as a *stock fund*.

exchange-traded fund (ETF). An investment company, typically a mutual fund or unit investment trust, whose shares are traded intraday on stock exchanges at market-determined prices. Investors may buy or sell ETF shares on the secondary market through a broker, just as they would the shares of any publicly traded company. Authorized participants are the only entities allowed to purchase and redeem ETF shares directly from the ETF. See also **authorized participant**.

expense ratio. A measure of what it costs to operate a fund, expressed as a percentage of its assets. This ratio is disclosed in the fund's prospectus and shareholder reports.

factor. Any variable that can explain differences in the returns on securities, such as: macroeconomic variables, returns on prespecified portfolios, or returns on benchmarks.

fair value. The amount a fund might reasonably expect to receive upon a current sale of a security. Where the value of the security cannot be readily determined from transactions occurring on an exchange or otherwise, a fund must have a process in place to determine how to value the amount it would expect to receive upon a current sale.

federal funds rate. The interest rate at which banks lend to each other in overnight borrowings to maintain their bank reserves at the Federal Reserve.

Financial Industry Regulatory Authority (FINRA). A self-regulatory organization that was created under the Securities Exchange Act of 1934 and that is charged with regulating broker-dealers. To fulfill its responsibilities, FINRA adopts regulatory rules that broker-dealers must comply with, conducts inspections of such broker-dealers, and imposes sanctions on those broker-dealers that violate its rules. FINRA's activities are overseen by the SEC.

529 plan. An investment program designed to help pay future qualified higher education expenses through a tax-advantaged account. These plans are offered by state governments and may also be offered by private consortiums. States offer two types of 529 plans: prepaid tuition programs allow contributors to establish an account in the name of a student to cover the cost of a specified number of academic periods or course units in the future; and college savings plans allow individuals to contribute to an investment account to pay for a student's qualified higher education expenses.

fixed-income security. See **bond**.

forward pricing. The concept describing the price at which mutual fund shareholders buy or redeem fund shares. Shareholders must receive the next computed share price following the fund's receipt of a shareholder transaction order.

follow-on offering. An offering of new shares of a same class of shares that is already publicly traded. The new shares are offered at a price established by the fund that is generally lower than the current price traded in the market.

457 plan. An employer-sponsored retirement plan that enables employees of state and local governments and certain tax-exempt employers to make tax-deferred contributions from their salaries to the plan.

401(k) plan. An employer-sponsored retirement plan that enables employees to make tax-deferred contributions from their salaries to the plan. See also **defined contribution plan**.

403(b) plan. An employer-sponsored retirement plan that enables employees of universities, public schools, and nonprofit organizations to make tax-deferred contributions from their salaries to the plan. See also **defined contribution plan**.

front-end load. A fee imposed by some funds at the point of purchase to cover selling costs. Any front-end load imposed by a fund will be described in detail in the fund's prospectus.

full-service broker. A licensed broker-dealer firm that provides a variety of services, including trade execution, research and investment advice, retirement planning, tax advice, and other services.

fund complex. A group of funds usually having the same investment adviser and distributor. Each fund in a complex may have different investment objectives and follow different investment strategies. Also known as *fund family*.

funds of funds. Mutual funds that primarily invest in shares of other mutual funds rather than investing directly in individual securities. Also, ETFs that primarily invest in shares of other ETFs rather than investing directly in individual securities.

government bond. A debt security issued by a government or its agencies (e.g., in the United States: savings bonds, Treasury bonds, Treasury inflation-protected securities [TIPS]).

government money market fund. A money market fund that seeks to maintain a stable share price and invests at least 99.5 percent of its total assets in cash, government securities, and/or repurchase agreements collateralized by government securities or cash. See also **money market fund**.

government securities. Any debt obligation issued by a government or its agencies (e.g., Treasury bills issued by the United States). See also **US Treasury securities**.

hedge fund. A private investment pool for qualified (typically wealthy) investors that, unlike a mutual fund, is exempt from SEC registration.

hybrid fund. A mutual fund that invests in a mix of equity and fixed-income securities, which can change proportionally over time or remain fixed.

independent director. A fund director must satisfy a number of specific and stringent requirements to be "independent." In general, under the 1940 Act, an independent director cannot currently have, or at any time during the previous two years have had, a significant business relationship with the fund's adviser, principal underwriter (distributor), or affiliates. An independent director also cannot own any stock of the investment adviser or certain related entities, such as parent companies or subsidiaries. See also **director** and **trustee**.

independent public accountant. The entity that audits a fund's financial statements. As part of the audit, the independent public accountant must consider the fund's internal control over financial reporting, including controls for safeguarding the fund's securities. The independent public accountant reports to the board's audit committee.

index. A portfolio of assets that tracks the performance of a particular financial market or subset of it (e.g., stock, bond, or commodity markets) and serves as a benchmark against which to evaluate a fund's performance. The most common index for equity funds is the S&P 500. See also **benchmark**.

index fund. A fund designed to track the performance of a market index. The fund's portfolio of assets is either a replicate or a representative sample of the designated market index. Often referred to as *passively managed portfolios*.

individual retirement account (IRA). A tax-advantaged account set up by or for an individual to hold and invest funds for retirement.

institutional investor. Businesses, nonprofit organizations, and other similar investors that own funds and other securities on behalf of their organizations. This classification of investors differs from individual or household investors who own the majority of investment company assets.

institutional money market fund. A money market fund that does not qualify as either a retail or government money market fund and does not limit all beneficial owners of the fund to natural persons.

intraday indicative value (IIV). A real-time estimate of the intraday value of an exchange-traded fund (ETF). Typically, third-party providers calculate and disseminate this measure every 15 to 60 seconds during securities market trading hours.

investment adviser. An organization retained by an investment company to give professional advice on the fund's investments and asset management practices. All investment advisers to registered investment companies, such as mutual funds, must be registered with the SEC under the Investment Advisers Act of 1940.

investment company. A corporation, trust, or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective. Mutual funds, closed-end funds, unit investment trusts, and exchange-traded funds are the main types of SEC-registered investment companies.

investment objective. The goal (e.g., current income, long-term capital growth) that a fund pursues on behalf of its investors. The fund's investment objective is disclosed to investors in the fund's prospectus and the fund's investments must be consistent with the stated investment objective.

level load. A combination of an annual 12b-1 fee (typically 1 percent) and a contingent deferred sales load fee (also often 1 percent) imposed by funds when shares are sold within the first year after purchase. See also **contingent deferred sales load** and **12b-1 fee**.

lifecycle fund. See **target date fund**.

lifestyle fund. Mutual funds that maintain a predetermined risk level and generally use words such as "conservative," "moderate," or "aggressive" in their names to indicate the fund's risk level. Also known as *target risk fund*.

liquidity. The ability to gain ready access to invested money. Mutual funds are liquid because their shares can be redeemed for the next computed net asset value (NAV) on any business day. In the securities market, a security is said to be liquid if the spread between bid and ask prices is narrow and reasonably sized trades can take place at those quotes.

load. See **sales charge**.

load fund. A mutual fund that imposes a sales charge—either when fund shares are purchased (front-end load) or redeemed (contingent deferred sales load)—or a fund that charges a 12b-1 fee greater than 0.25 percent. See also **12b-1 fee**.

long-term funds. A mutual fund industry designation for all mutual funds other than money market funds. Long-term funds are broadly divided into equity (stock), bond, and hybrid funds.

management fee. The amount paid by a mutual fund to the investment adviser for its services.

maturity. The date by which an issuer promises to repay a bond's face value.

money market. The global financial market for short-term borrowing and lending where short-term instruments such as Treasury bills (T-bills), commercial paper, and repurchase agreements are bought and sold.

money market fund. A mutual fund regulated pursuant to Rule 2a-7 under the Investment Company Act of 1940 that invests in short-term, high-quality, fixed-income securities, and seeks the highest level of income consistent with preservation of capital (e.g., maintaining a stable share price).

mutual fund. An investment vehicle that offers investors professional money management and diversified investment opportunities. All mutual funds are investment companies that are registered with the SEC under the Investment Company Act of 1940. Mutual funds buy a portfolio of securities selected by the fund's investment adviser to meet a specified investment objective. One hallmark of mutual funds is that they are considered a liquid investment because they issue redeemable securities, meaning that the fund stands ready to buy back its shares at their next computed net asset value (NAV). See also **open-end investment company**.

net asset value (NAV). The per-share value of an investment company, calculated by subtracting the fund's liabilities from the current market value of its assets and dividing by the number of shares outstanding. Mutual funds calculate their NAVs at least once daily on each day the financial markets are open.

net new cash flow. The net amount of "new" money flowing into a mutual fund. The amount is determined by calculating the dollar value of new sales of the fund minus redemptions, plus net exchanges. A positive number indicates new sales plus exchanges into funds exceeded redemptions plus exchanges out of funds. A negative number indicates redemptions plus exchanges out of funds exceeded new sales plus exchanges into funds.

net share issuance. The dollar value of gross issuance (proceeds from initial and additional public offerings of shares) minus the dollar value of gross redemptions of shares (share repurchases and fund liquidations). A positive number indicates that gross issuance exceeded gross redemptions. A negative number indicates that gross redemptions exceeded gross issuance.

no-load fund. A mutual fund whose shares are sold without a sales charge and without a 12b-1 fee of more than 0.25 percent per year. See also **12b-1 fee**.

open-end investment company. The legal name for a mutual fund, indicating that it stands ready to redeem (buy back) its shares from investors. See also **mutual fund**.

operating expenses. Business costs paid from a fund's assets. These include management fees, 12b-1 fees, and other expenses.

pooled investing. The basic concept behind mutual funds and other investment companies in which a fund aggregates the assets of investors who share common financial goals. A fund uses the pooled assets to buy a portfolio of investments, and each share purchased represents a shareholder's pro rata ownership interest in the fund's portfolio.

portfolio. A collection of investments owned by an individual or an institution (such as a mutual fund) that may include stocks, bonds, money market instruments, and other investments.

portfolio manager. A specialist employed by a fund's adviser to invest the fund's assets in accordance with predetermined investment objectives.

portfolio turnover rate. A measure of how frequently securities are bought and sold within a fund during a year. The portfolio turnover rate usually is expressed as a percentage of the value of a fund.

preferred stock. An investment that represents a share of ownership in a corporation that has a higher claim on the corporation's assets and earnings than common stock. Preferred stock differs from common stock in that preferred stock generally pays a fixed dividend that must be paid out before dividends to common stock shareholders. Also known as *preferred shares*. See also **common stock**.

primary market. The market in which investors buy securities directly from the companies issuing them. Contrast **secondary market**.

prime money market fund. A money market fund that invests primarily in corporate debt securities.

principal underwriter. A mutual fund underwriter enters into sales agreements with retail distributors (e.g., broker-dealers) of the mutual fund. To sell fund shares, a retail distributor must have executed a contract with a fund or its principal underwriter, which authorizes the distributor to offer and sell fund shares to the public. Generally speaking, a fund's underwriter is not involved in the offer or sale of fund shares to investors.

prospectus. The official document that describes an investment company to prospective investors. The prospectus contains information required by the SEC, such as investment objectives and policies, risks, services, and fees. Federal law requires that every mutual fund investor receive a prospectus. See also **summary prospectus**.

redeem. To sell mutual fund shares back to the fund. Mutual fund shares may be redeemed on any business day. An investor receives the next computed share price, called net asset value (NAV), minus any deferred sales charge or redemption fee.

redemption price. The amount per share that mutual fund shareholders receive when they redeem. See **redeem**.

registered investment company. Any fund—including a mutual fund—that is registered as an investment company with the SEC under the Investment Company Act of 1940. In addition to registering as an investment company under the Investment Company Act of 1940, shares of the registered investment company must be registered under the Securities Act of 1933 (if they are offered to the public) and the investment company's investment adviser must be registered with the SEC under the Investment Advisers Act of 1940. Each of these acts imposes regulatory responsibilities on the entities or securities registered under such acts.

regulated investment company (RIC). A fund eligible under subchapter M of the Internal Revenue Code to eliminate tax at the entity level by distributing all of its taxable income to its shareholders. The fund's income thus is taxed only once, at the investor level. A RIC may be organized in either corporate or trust form—but is treated in all cases as a corporation. To qualify as a RIC, a corporation must be registered at all times during the taxable year under the Investment Company Act of 1940 and must derive at least 90 percent of its income from certain sources, including dividends, interest, and capital gains. It also must distribute at least 90 percent of the dividends and interest received.

repurchase agreements. A form of short-term funding that is typically used by dealers and other institutional investors. In a repurchase transaction, one party sells securities to another party and agrees to buy back the securities at a specified time (e.g., the next day) for a specified price. Also known as a *repo*.

required minimum distribution (RMD). Rules under the Internal Revenue Code that generally require a person who owns a traditional IRA or 401(k) account to take annual distributions from the IRA or 401(k) account beginning at age 70½. The annual distribution amount is determined by formulas established by the IRS and must be calculated each year based on the owner's age (or the ages of the owner and the owner's spouse). The IRS formula is intended to ensure that the entire amount of a traditional IRA or 401(k) account be distributed over the expected life of the individual (or the joint lives of the individual and the individual's spouse). Distributing less than the required amount may result in a tax penalty. Roth IRAs are not subject to required minimum distributions during the account holder's lifetime.

retail investor. An individual investor who buys and sells securities for his or her personal account, and not for a company or organization.

retail money market fund. A money market fund that has policies and procedures reasonably designed to limit all beneficial owners of the fund to natural persons.

RIC. See **regulated investment company**.

rights offerings. Fund shareholders are issued rights to purchase additional fund shares at a price established by the fund, usually at a discount to NAV.

rollover. The transfer of an investor's assets from one qualified retirement plan (including an IRA) to another—due to changing jobs, for instance—without a tax penalty.

Roth IRA. An individual retirement plan, first available in 1998, that permits only after-tax contributions; earnings are not taxed, and qualified distributions of earnings and principal are generally tax-free.

sales charge. The sales fee that may be imposed on mutual fund shares that are purchased through a broker-dealer or other financial intermediary. By regulation, mutual fund sales charges are capped. Sales charges may vary depending on where the shares are acquired (e.g., a fund supermarket or a broker-dealer), the amount invested, and the fund purchased. Also known as the *load*.

SAR-SEP IRA (salary reduction simplified employee pension). A SEP IRA with a salary reduction feature (see **SEP IRA**). The Small Business Job Protection Act of 1996, which created SIMPLE IRAs, prohibited the formation of new SAR-SEP IRAs, which were created in 1986.

secondary market. Market in which an investor purchases or sells certain assets (such as closed-end fund, UIT, and ETF shares) from another investor through an intermediary such as a broker-dealer. Contrast **primary market**.

sector mutual fund. A fund that invests in a particular or specialized segment of the marketplace, such as stocks of companies in the software, healthcare, or real estate industries.

separate account. An insurance company account that is segregated or separate from the insurance company's general assets. Also refers to a fund managed by an investment adviser for a single plan.

SEP IRA (simplified employee pension plan). A retirement program created in 1978 that consists of individual retirement accounts for all eligible employees, to which the employer can contribute according to certain rules. A fairly simple, inexpensive plan to establish and administer, a SEP IRA can be attractive to small businesses and self-employed individuals.

series trust fund. A group of different mutual funds, each with its own investment objective and policies, that is structured as a single corporation or business trust.

share classes. Some mutual funds offer investors different types of shares known as classes (e.g., Class A, institutional shares). Each class will invest in the same portfolio of securities and will have the same investment objectives and policies, but each class will have different shareholder services and/or distribution arrangements with different fees and expenses and, therefore, different performance results. A multiclass structure offers investors the ability to select a fee and expense structure that is most appropriate for their investment goals (including the time that they expect to remain invested in the fund).

short-term fund. See **money market fund**.

SIMPLE IRA (savings incentive match plan for employees). A simplified tax-favored retirement plan created in 1996 that small employers can set up for the benefit of their employees.

S&P 500 index. A daily measure of stock market performance based on 500 US stocks chosen by Standard & Poor's for market size, liquidity, and industry group representation.

sponsor. A company or financial institution that creates a fund and determines its investment objective. When a new fund complex is launched, the fund sponsor (often an investment adviser) typically is the initial and sole shareholder of the new funds and elects the initial slate of directors.

stable value fund. An investment fund that seeks to preserve principal and to provide consistent returns and liquidity. Stable value funds include collective investment funds sponsored by banks or trust companies or contracts issued by insurance companies.

summary prospectus. SEC rules permit mutual funds to provide their investors with a brief summary (generally three to four pages) of key fund information instead of the fund's long-form, statutory prospectus if they make the statutory prospectus available online or by mail upon request and meet certain additional conditions. The summary prospectus must contain the following items in standardized order and cannot include additional information, nor omit required information: investment objectives/goals; fee and expense tables; principal investment strategies, principal risks and performance table; and management information. See also **prospectus**.

target date fund. Funds designed to satisfy their investors' investment objective by a particular target date, which is usually included in the name of the fund. For example, a Target Date 2025 fund may be designed for persons who plan to retire in 2025. To fulfill the investor's investment objective, the fund is typically constructed as a hybrid fund that follows a predetermined reallocation of risk over the lifetime of the investment. These funds invest in a mix of asset classes and typically rebalance their portfolios over time to become more conservative and income producing as the fund approaches and passes its target date. Target date funds are most commonly used to save for retirement or education, where the owner of the account expects to use the account proceeds at a known future date. Also known as *lifecycle fund*.

target risk fund. See **lifestyle fund**.

tender offer. In a closed-end fund tender offer, shareholders are given a limited opportunity to sell a portion of their shares back to the fund at a price—the tender price. Generally, the tender price is close to the fund's net asset value (NAV) and is higher than the market price.

total net assets. The total amount of assets, less any liabilities, a fund holds as of a certain date.

total return. A measure of a fund's performance that encompasses all elements of return: dividends, capital gains distributions, and changes in net asset value (NAV). Total return is the change in value of an investment over a given period, assuming reinvestment of any dividends and capital gains distributions, expressed as a percentage of the initial investment.

traditional IRA. The first type of IRA, created in 1974. Individuals may make tax-deductible or nondeductible (depending on income and other requirements) contributions to these accounts. See also **individual retirement account (IRA)**.

transfer agent. A transfer agent is the entity within a fund complex that maintains all shareholder account records, processes all transactions effected by shareholders, and provides shareholders who own shares directly with the fund communications regarding the fund or the shareholder's account. Typically, when a mutual fund shareholder contacts the fund to discuss the shareholder's account, it is the transfer agent that handles such inquiries. The transfer agent must be registered with the SEC under the Securities Exchange Act of 1934 and must perform its services pursuant to an agreement with the fund's board.

Treasury bill (T-bill). A short-term debt obligation of the US government with a maturity of less than one year. T-bills are sold in denominations of $1,000 up to a maximum purchase of $5 million and commonly have maturities of one month (four weeks), three months (13 weeks), or six months (26 weeks).

trustee. A member of the board of trustees of a fund organized as a business or statutory trust. Mutual fund trustees oversee the management and operations of the fund and have a fiduciary duty to represent the interests of shareholders. Fund trustees have the same responsibilities as fund directors. See also **director**.

12b-1 fee. A mutual fund fee, named for the SEC rule that permits it, used to pay distribution costs such as compensation to financial advisers for initial and ongoing assistance. If a fund has a 12b-1 fee, it will be disclosed in the fee table of a fund's prospectus.

underwriter. See **principal underwriter**.

unit investment trust (UIT). A type of fund that blends characteristics of mutual funds and closed-end funds. Like mutual funds, UITs issue redeemable shares. Like closed-end funds, however, UITs typically issue only a specific, fixed number of shares. A UIT does not actively trade its investment portfolio. Instead it buys and holds a fixed portfolio of securities until the UIT's set termination date, at which time the trust is dissolved and proceeds are paid to shareholders.

US Treasury securities. Debt securities issued by the US government and secured by its full faith and credit. Treasury securities are the debt financing instruments of the US federal government, and they are often referred to simply as *Treasuries*. There are four types of Treasury securities: Treasury bills, Treasury bonds, Treasury notes, and Treasury inflation protected securities (TIPS). See also **Treasury bill**.

variable annuity. An investment contract sold by an insurance company. Capital is accumulated, often through mutual fund investments, with the option to convert to an income stream in retirement.

wirehouse. An integrated broker with a national or worldwide business model as opposed to a regional one.

worldwide regulated open-end fund. A substantively regulated, open-end fund that is constrained by some diversification limits, concentration limits, and/or leverage limits with a view to offering a high level of investor protection; includes mutual funds, exchange-traded funds (ETFs), institutional funds, guaranteed/protected funds, (open-end) real estate funds, and other substantively regulated funds.

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