Terms and Definitions

Standard Deviation – Measures the degree of variation of returns around the average return of the investment. The lower the volatility of investment returns, the lower the standard deviation will be. It is used as a measure of total risk – the lower the better.

Sharpe Ratio – A risk-adjusted measure developed by Nobel Laureate William Sharp. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ration, the better the portfolio's historical risk adjusted performance.

Alpha – A measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. A positive alpha figure indicates the portfolio has performed better than its beta would predict. Alpha can be used to directly measure the value added or subtracted by a portfolio's manager.

Beta – A measure of the portfolio's sensitivity to market movements. The beta of the market is 1.00 by definition. The lower the portfolio's beta, the lower the portfolio's market-related risk.

Drawdown – The largest percentage-losing period during an investment record. A smaller historical drawdown relative to the market indicates the portfolio has held up better than the market during previous market declines.

Strategic & Tactical Ranges – The allocation of assets within each GIM portfolio are based on Strategic and Tactical ranges. The Strategic allocation is considered the base or target allocation. The Tactical ranges are the minimum and maximum exposure that a portfolio may have in each asset class.