Student Vocabulary – this list has vocabulary listings for all of the below learning targets

- **What is a Stock?**
- **Investing in Dividend Stocks**
- **Investing in mutual funds**
- **Risk Tolerance/Diversification**
- **Investment Profile**
- **Basic Company/Stock Research**
- **Investing Bonds**

There is no specific order. <u>This is not</u> in alphabetical order

Risk Tolerance: the level of risk that an individual/team is willing to take. (Conservative, Moderate, and Aggressive Risk Levels)
Diversification: spreading your money among stocks, ETF's, mutual funds or bonds
Stock: investing in a company as a shareholder with expectation of investment profits and dividends
ETF/Mutual Fund: an investment with many stocks or bonds providing diversification/safety based on the funds risk objective
Bond: the investor is lending money to a corporation (Corporate Bond), city, state, institute (Municipal Bond) or the government (Treasury Bills, Notes, Bonds) considered to be a conservative and safe investment
Market Cap: the total dollar market value of all of a company's outstanding shares ***Large cap:** *10 billion + less risk* ***Mid cap:** *2 billion to 10 billion moderate risk* ***Small cap:** *less than 2 billion speculative risk*
Dividend: a payment to shareholders of a portion of a company's earnings.
Beta: measure of the volatility of a security (stock) or a portfolio in comparison to the market as a whole. **Break down** – *a **beta of 1** indicates than the security's price will move with the market. A **beta of less than 1** means that the security will be less volatile than the market. A **beta greater than 1** indicates that the security's price will be more volatile than the market. For example, if a stock's beta is 1.2, it's theoretically 20% more volatile than the market.*
P/E: the ratio for valuing a company that measures its current share price relative to its per-share earnings. **Break down** – *the P/E ratio indicates the dollar amount an investor can expect to invest in a company in order to receive $1.00 of that company's earnings. If a*

company were currently trading at a P/E of 20 the interpretation is that an investor is willing to pay $20 for $1 of current earnings. **In general, a high P/E: investor is expecting higher earnings growth in the future compared to companies with a lower P/E. A low P/E can indicate either that a company may currently be undervalued or that the company is doing exceptionally well relative to its past trends.*
Growth Stock: a company whose earnings are expected to grow at an above average rate relative to the market, most tech stocks are growth stocks and found on NASDAQ Exchange. Expect higher levels of risk
Income Stock: a company whose earnings are historically consistent, with less risk found on the NYSE Exchange

Possible reasons for stock prices to rise ↑	**Possible reasons for stock prices to drop ↓**
New Products, News Positive Leading Economic Indicators Profit (Earnings report) shows growth Co. takeover bids or spinoffs	Accidents or Health Problems Negative Leading Economic Indicators Supply & Demand for company stock Investigation by the SEC

P/E (Price to Earnings ratio) A ratio to evaluate a stock's worth. It is calculated by dividing the stock's price by an earnings-per-share (EPS) figure. If calculated with the past year's earnings, it is called the trailing P/E. If calculated with an analyst's forecast for next year's earnings, it is called forward P/E. What to consider when looking at the P/E Generally a high P/E means, investors are anticipating higher growth. The average P/E is 20-25. Companies that are losing money do not have a P/E ratio.

Beta: A measure of an investment's volatility relative to a chosen benchmark. For stocks or stock funds, the benchmark is usually the S&P 500. The beta of the benchmark is always 1.00. So, a stock fund with a beta of 1.00 has experienced up and down movements of roughly the same magnitude as the S&P 500. Meanwhile, a stock fund with a beta of 1.25 is expected to do 25 % better than the S&P 500 in an up market and 25% worse in a down market. Generally speaking, the higher the beta, the more risk the investment.

Dividend: A portion of a company's net income paid to stockholders as a return on their investment.

Cap size: (Market Capitalization) The total market value of a company or stock. Market Cap is calculated by multiplying the number of outstanding shares by their current market price. There are three basic market caps: large cap, mid cap and small cap. Large-cap stocks typically have market capitalizations upwards of $5 billion. Because they are more liquid, large caps tend to be less volatile than small caps, which have capitalization less than $1 billion.

Standard & Poor's 500 stock index (S&P 500): The Standard & Poor's 500 stock index is an index of 500 stocks chosen for their market size, liquidity, and industry group. Experts use the S&P 500 as a benchmark for the overall market performance. Represents the largest U.S. companies in 11 diversified sectors of the market.

Index: A composite of stocks, bonds, or other securities **selected to represent a specific market**, industry or asset class.

Liquidity: The ease with which financial assets can be converted to cash without creating a substantial change in price or value.

PEG (Price-to-Earnings-Growth): The PEG ratio is calculated by dividing a stock's forward P/E by its projected three-to-five-year annual earnings-per-share growth rate. It is used to find companies that are trading at a discount to their projected growth. ***A PEG ratio of less than 1 is considered a sign that a stock is a good value. Generally speaking, the higher the PEG, the pricier the stock.***