

Glossary of Terms



Active Management	An investment strategy used by management with the goal of outperforming an industry benchmark or index.
Actuarial Assumptions	In the case of retirement plans, an estimate made for the purposes of calculating benefits taking into account variables including life expectancy, return on investments, interest rates, and compensation. By calculating the possible payout of benefits, the actuary can determine what contributions are required and what amount the sponsor should set aside as readily available cash.
Actuarial Valuation	A valuation carried out by an actuary, on a regular basis, to determine the pension plan's ability to meet its future benefit obligations. It also provides an estimate of the plan's funding position by comparing the value of the pension fund's assets with its liabilities.
Actuary	A professional advisor or entity whose responsibility is to evaluate present and future pension liabilities in order to determine the financial condition of the pension plan, by following recognized actuarial methods as established by the Canadian Institute of Actuaries.
Alternative Investments	A category of assets that are designed primarily to provide returns that are independent of public market directions. The asset class has modest correlations with traditional investments so to increase diversification.
Annualized (rate of return)	A rate of return expressed over one year although the actual rate of return being annualized are for periods longer or shorter than one year.
Asset	An investment of economic value, owned by the pension plan.
Asset Allocation	The percentage of investment assets such as stocks (also called "equities"), bonds, and cash that make up an investment portfolio.
Benchmark	A standard against which rates of return can be measured, such as stock and bond market indices developed by stock exchanges and investment dealers.
Bi-annual	Happening twice a year.
Biennial	Happening every two years.
Business Continuity Plan	Set of documents, instructions, and procedures which enable a business to respond to accidents, disasters, emergencies, and/or threats—without any stoppage or hindrance in its key operations. Also called business resumption plan, disaster recovery plan, or recovery plan.
Commodities	Assets of value, of uniform quality, that are produced in large quantities by many different producers. Generally, these are basic resources and agricultural products such as iron ore, crude oil, gasoline, natural gas, coal, ethanol, salt, sugar, coffee beans, soybeans, aluminum, rice, wheat, gold and silver.
Compliance	Procedures undertaken at regular intervals or on an on-going basis to ensure internal and external controls and regulations are satisfied.
Counterparty (exposure)	The customer, bank, or securities dealer with whom an investment or derivatives transaction is conducted.
Cumulative (rate of return)	A total, compounded rate of return covering (generally) more than one year. If a fund earns 15% in the first year, 36% in the second year and -7% in the third year, its cumulative return is 45.45%. Its annual average compound return, by comparison, is 13.3%. It is always advisable to look at the individual annual returns that make up cumulative and compound returns in making judgments about the quality and consistency of returns.

Currency Hedging	An investment taken to reduce the risk or potential loss arising from the change in the value of the currency of a foreign asset against the Canadian dollar.
Currency Overlay	A currency hedging technique aimed at protecting an investor's international currency exposure. Currency hedges are adjusted on a frequent basis, to protect the Canadian dollar value of foreign investments.
Defined Benefit pension plan	A retirement plan in which pension or other benefit payments are clearly outlined by a series of rules as determined by the plan.
Derivatives	A generic term used to describe a financial instrument or contract <i>derived</i> from some other asset or index, executed between two counterparties. Examples are financial futures or option contracts that may be negotiated privately or be listed on a recognized securities exchange.
Discretionary	Left to ones discretion, freedom and authority to make decisions or choices.
Fiduciary	One who is legally required to act in the best interest and trust for a beneficiary.
Fixed Income	A security that pays a specific interest rate, such as a bond or money market instrument. They obligate the borrower to pay the owner a fixed rate of interest during the term of the loan and to return the principal or face value when the loan matures
Governance	A generic term which describes the ways in which rights and responsibilities are shared between the various stakeholders. For corporate governance, the rights and responsibilities are generally shared between management and shareholders. For pension plan governance, the rights and responsibilities are shared between the Plan Sponsor, the Actuary, and the trustee.
Inflation-linked	An asset that is expected to provide a return that is highly correlated to the rate of inflation.
Market Neutral Strategy	An investment strategy that is deployed using public equity securities but is designed to provide returns independent of the direction of public equity markets.
Nominal Return	The return on an investment expressed as a percentage of the total amount invested (also called a rate of return).
Pooled Funds	A fund in which multiple investors contribute assets and hold them as a group. A common example of a pooled fund is a unit trust.
Portfolio	A group of investments and financial instruments that are grouped together for specific investment purposes.
Private equity	Equity investments in companies that are not publicly traded on a recognized stock exchange.
Private Markets	The part of the economy owned and operated by corporations and individuals outside the public sector.
Public Equity	Equity investments in companies that are typically subject to the reporting requirements of a national regulatory body and are publically traded on a stock exchange.
Real Return	The return on an investment that is determined by reducing the nominal return by the rate of inflation over a specific measurement period.
Risk	The variability of investment returns, either in absolute terms or versus a benchmark.
Risk Management Framework	A series of well-defined independent risk management systems and processes within various business teams. The process involves the participation of NBIMC's Board of Directors, management, and external service providers.

Short Term Assets	A security that generally matures in one year or less.
Stakeholders	A person, group, organization, or system who affects or can be affected by an organization's actions
Strategic Plan	A strategic document that outlines an organization's overall mission, vision, and values which helps to direct the annual business planning activities of the organization.
Succession Plan	The identification and development of potential successors for key positions in an organization, through a systematic evaluation process and supplemental training programs.
Trading Practice	Standard activities, methods, and procedures established to handle day to day or frequently occurring events.
Trustee	A person or company to which assets have been conveyed for the benefit of another party, acting in a capacity of trust as a fiduciary and with legal responsibility for all aspects, including financial aspects (receipts, disbursements, and investment) of managing those assets.
Valuation	The process of determining the value of an asset or security. This may involve the use of the most recent price of a publicly traded security, or a more subjective methodology used for private assets.
Volatility	The size and frequency of changes in an asset's value over a short period of time.