

Glossary of Financial Terms

Alpha measures the Fund's risk-adjusted return above and beyond the return of the market.

Average Coupon Rate is the annual rate, as a percentage of par that the issuer has agreed to pay the bondholder.

Basis point (bp) is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument.

Beta measures the sensitivity of rates of return on a fund to general market movements.

Book value is the net asset value of a company, calculated by subtracting total liabilities from total assets.

Capital Expenditure (CAPEX) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

Correlation is a statistical measure of the degree to which the movements of two variables (stock/option/convertible prices or returns) are related.

Current Yield is that of the securities held in the portfolio; it is not reflective of the yield distributed to shareholders. Current yield is calculated by taking the annual income (interest or dividends) divided by the current price of the security.

Dividend yield is calculated by annualizing the last quarterly dividend paid and dividing it by the current share price. The dividend yield is that of the securities held in the portfolio; it is not reflective of the yield distributed to shareholders.

Distribution Yield is calculated by annualizing the current month's distribution and dividing by the NAV on the last business day of the period. It does not include long- or short-term capital gains distributions.

Dividend payout ratio is the percentage of earnings paid to shareholders in dividends.

Duration is a measure of the price sensitivity of a bond to interest rate movements.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

Earnings per share is calculated by taking the total earnings divided by the number of shares outstanding.

Earnings growth is the annual rate of growth of earnings from investments.

Equity capital ratio is fixed assets of a company divided by its equity capital.

Fallen angels are credits that were investment grade rated when issued (BBB- or above), but have since been downgraded.

Free cash flow is earnings before depreciation, amortization, and non-cash charges minus maintenance capital expenditures.

Interest coverage ratio measures how well a company can meet its interest-payment obligations.

Internal rate of return (IRR) is a rate of return used in capital budgeting to measure and compare the profitability of investments.

Investment grade indicates that a municipal or corporate bond has a relatively low risk of default.

LBO stands for leveraged buyout.

Margin of safety is a principle of investing in which an investor only purchases securities when the market price is significantly below its intrinsic value. In other words, when market price is significantly below your estimation of the intrinsic value, the difference is the margin of safety.

MBO stands for management buyout.

Market capitalization of a company is calculated by multiplying the number of outstanding shares by the current market price of a share.

PIKs stands for payment-in-kind.

Payout Yield is dividends plus share buybacks divided by equity.

Price/Book (P/B) is the price of a stock divided by its book value.

Price/Normal Earnings is the current market price per share divided by normalized earnings per share.

Price-to-Earnings (P/E) is calculated by dividing the current price of a stock by the company's trailing 12 months' earnings per share.

Projected EPS Growth is the projected earnings-per-share growth rate of the companies invested in by the Fund. Projected EPS growth rates are consensus analyst forecasts; actual EPS growth rate may differ from projected EPS growth rate.

Price-to-forward earnings is the projected P/E ratios of the companies invested in the portfolio, which ratios represent current market price per share divided by a company's estimated future earnings-per-share. Projected earnings are consensus analyst forecasts; actual P/E ratios may differ from projected P/E ratios.

Price/Sales is the aggregate portfolio capitalization to aggregate portfolio historical sales of all stocks in the fund's portfolio as of that date.

R-Squared is a statistical measure that represents the percentage of a fund's movement that is explained by movements in a benchmark index.

Regression is a statistical measure that attempts to determine the strength of the relationship between one dependent variable and a series of other changing variables.

Real Estate Investment Trusts (REITS)

Return on capital measures how effectively a company uses the money (borrowed or owned) invested in its operations.

Spread over Treasuries is the difference in yield between a fixed-income security and a Treasury security of similar maturity.

Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity

Spread is the percentage point difference between yields of various classes of bonds compared to treasury bonds.

Standard deviation measures the degree to which a fund's quarterly return varies from the fund's mean return over a specified time period.

Upgrade/Downgrade ratio is the number of ratings upgrades divided by the number of ratings downgrades (by the major ratings agencies).

U.S. Treasuries are generally considered "risk free" securities.

Volatility is a statistical measure of the dispersion of returns for a given security or market index.

Yield-to-Worst is the lowest possible yield from owning a bond considering all potential call dates prior to maturity.

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Credit Quality weights by rating were derived from the highest bond rating as determined by S&P, Moody's or Fitch. Bond ratings are grades given to bonds that indicate their credit quality as determined by private independent rating services such as Standard & Poor's, Moody's and Fitch. These firms evaluate a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are



expressed as letters ranging from 'AAA', which is the highest grade, to 'D', which is the lowest grade. In limited situations when none of the three rating agencies have issued a formal rating, the Advisor will classify the security as nonrated.

The 30-day SEC Yield represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the fund's share price at the end of the 30-day period. The SEC Yield should be regarded as an estimate of the fund's rate of investment income, and it may not equal the fund's actual income distribution rate, the income paid to a shareholder's account, or the income reported in the fund's financial statements.

Diversification does not assure a profit nor protect against loss in a declining market.

A company's forecasted, or estimated, earnings made by analysts or by the company itself. Forward earnings differ from trailing earnings (which is the figure that is quoted more often) in that they are a projection and not a fact.