

Glossary of Investment Terms

As Provided By Gallagher Fiduciary Advisors, LLC (“GFA”)

for the MM&P Trustee Directed IRAP Managed Fund

Active Manager: An active manager seeks to achieve investment returns exceeding an index through security selection, sector or security weighting, or timing decisions. In contrast, a passive manager uses indexing programs for security selection in an attempt to match the performance of a benchmark.

Active Core Plus Fixed Income: A fixed-income investment style that allows fixed income managers to add a variety of fixed income instruments, not typically included within a primary benchmark, to complement a traditional investment grade fixed income portfolio. Typically, these out of benchmark securities may exhibit greater risk, although also provide greater potential return, and may also serve to reduce total risk of the investment strategy when properly structured with a traditional portfolio of investment grade bonds.

Annualize: To express a rate of return for a period greater than one year or less than one year in terms of an equivalent 12 month return.

Average: A measure for “central tendency” – that is, a typical value around which other figures congregate or which divides their number in half; an overall value.

Asset Class: Distinct market segments for investing. For example, stocks, bonds, real estate, other alternative investments and cash equivalents are considered to be separate asset classes.

Balanced Funds: Investment companies or investment strategies which may diversify their portfolio holdings over a wide list of common stocks, bonds, preferred securities, alternative investments and other securities across a variety of assets classes consistent with desired expected return and risk objectives.

Barclays Capital (BC) Intermediate Aggregate Bond Index: This index includes all issues contained in the investment grade Barclays Government/ Corporate Bond Index, Mortgage-Backed Securities Index and the Yankee Bond Index from one to 9.99 years in maturity. The index is a total return index, with the percentage change plus actual coupon income and scheduled and unscheduled paydowns making up the total return.

Bond: A certificate of debt (i.e., an IOU or promissory note) issued by corporations, municipalities and the government and its agencies, in multiples of \$1,000 to \$5,000 which represents a part of a loan to the issuer, bears a stated interest rate and matures on a stated future date. A bondholder is a creditor of the issuer and not part owner, as is a stockholder. Short term bonds issued for five years or less from the issuance date are often called notes.

Common Stock: Securities which represent an ownership interest in a corporation. If the company has also issued preferred stock, both common and preferred have ownership rights. The preferred normally is limited to a fixed dividend but has a prior claim on dividends and in the event of liquidation, assets. Claims of both common and preferred stockholders are junior to claims of bondholders and other creditors of the company. Common stockholders assume the greater risk, but generally exercise the greater control and may gain the greater reward in the form of dividends and capital appreciation. The terms common stock and capital stock are often used interchangeably when the company has no preferred stock.

Compound Average Annualized Total Returns: Methodology of expressing a cumulative compounded total return on an annualized basis relative to any given time period of measurement.

Consumer Price Index (“CPI-U”): The Consumer Price Index for all urban consumers is a measure that examines the changes in the price of a basket of goods and services purchased by urban consumers. Many pension and employment contracts are tied to changes in consumer prices, as protection against inflation and reduced purchasing power. It is often used as a measure of inflation and is also known as the cost-of-living index.

Diversification: The spreading of investment funds among classes of securities and localities in order to distribute the risk. It favors the maxim: “Don't put all your eggs in one basket.”

Department Of Labor (“DOL”): Among other responsibilities, the DOL administers and enforces the Employee Retirement Income Security Act (ERISA).

Event Risk: The risk to bondholders that an unpredictable outside event may negatively impact the price of a company's bonds. Often used when referring to mergers, acquisitions, restructurings, etc

Hedged Opportunistic Fixed Income: A strategy, or combination of fixed income strategies, designed to reduce risk of investments, through an investment approach which changes over time to take advantage of current market conditions and investment opportunities. Characteristics of the portfolio, such as exposures to fixed income sub-asset classes, fixed income sectors, fixed income issues, fixed income country allocations, other risk factors (i.e., yield, interest rate risk, credit quality and maturity) net fixed income market exposures and other factors are likely to vary significantly from time to time. The manager may also employ a combination of different approaches at a given time to mitigate exposures to any one market risk factor and control overall portfolio volatility.

HFRI Diversified Hedge Fund of Funds Index: A performance index used by plan sponsors, investment advisors and hedge fund managers as a benchmark for a diversified multi-strategy, multi-manager, hedge fund of funds.

Index Fund: A passively managed portfolio designed to mirror the performance of a certain index, such as the S&P 500. By design, such funds should perform within a few basis points of the index.

Intermediate Fixed Income: Fixed income securities with a maturity or date of principle repayment that is set to occur in the next 3-10 years. Bonds and other fixed income products are typically classified by maturity date, as it is the most important factor in yield calculations.

Interest Rate Risk: The risk that an investment's value will change due to a change in the level of interest rates. Interest rate risk affects the value of bonds and it is a major risk to all bondholders. As interest rates rise, bond prices fall and vice versa. Interest rate risk is also known as “duration risk.”

Nonmarket Risk (Unsystematic Risk): Volatility of returns of securities in a portfolio not related to the movement of the market in general.

Passive Manager: A passive manager seeks to achieve investment returns and risk in line with an index through security selection, sector or security weighting and timing decisions consistent with benchmark rules, risk exposures and other factors. In contrast, an active manager uses active over and under weighting of various securities compared to a given benchmark, based on fundamental, technical, top-down, bottom up and other research techniques, in an attempt to outperform the performance of a benchmark through a market cycle.

Policy Index: An observable market benchmark, or custom benchmark comprised of various market benchmarks, designed to track the performance and risk of any given investment strategy or portfolio of underlying investment strategies managed by one or more investment managers.

Risk: A measurement of the volatility, or standard deviation, of returns around the average or mean return. Also denotes the expected probability or chance of unrealized or realized loss.

S&P 500 Index: An investment index comprised of 500 companies selected by Standard & Poor's to be representative of the U.S. economy. This index is the most widely used equity benchmark for plan sponsors and managers.

Systematic Risk: Investment risk associated with macro (pervasive) factors such as the national economy. Investment managers can do little to effect this type of risk. Examples of systematic risk include interest rate risk and market risk. Systematic risk is the risk shared by all securities in a given market. See in contrast Unsystematic Risk.

Time-Weighted Rate of Return: One method of computing rates of return is called the time-weighted rate of return. It is the investment performance of a unit of assets held continuously for the entire time period measured. In general, this rate provides an effective standard for comparing the performance of different funds, in which cash flow could vary considerably. The money manager usually cannot control the timing or the amount of contributions to the fund. Because the time-weighted rate reduces the impact of money flows into or out of the fund, it is considered a fairer means of appraising the fund manager's ability to make the fund assets perform.

Total Annual Operating Expenses: Total direct investment related expenses charged by a firm or investment vehicle, typically including investment management fees, custody expenses, other possible shareholder service fees and other direct investment related expenses, expressed as a percentage of assets under management over an annual period.

Turnover (Portfolio): The act of selling securities within a portfolio and buying new ones, or vice versa. A portfolio with a 50% turnover ratio means that 1/2 of the securities, on average, are sold each year.

U.S. 91-Day Treasury Bill: Debt obligations with a maturity of 91 day or less, issued by the United States Treasury, and backed by the full faith and credit of the United States government. Also known as the "risk-free return", which is expected to be earned with perfect certainty (i.e., without any risk of loss) as the yield on a 91 day T-bill is considered the closest approximation to "risk-free" based on the record of repayment and the explicit guarantee provided by the United States government for the obligation.

U.S. Equity Market Risk: The day-to-day potential for an investor to experience losses from fluctuations in securities prices in the US equity markets. Also known as "systematic risk."

Variable Return Investment: Any investment or investment strategy where returns may vary over time, relative to a benchmark or benchmarks, and does not provide a fixed rate of return or yield, but provides a yield and return which may fluctuate with market conditions and specific investment opportunities.

Volatility: The extent to which market values and investment return are uncertain or fluctuate. Another word for risk, volatility is measured using such measures as beta, mean absolute deviation, and standard deviation.