

# FROM YOUR ADVISOR

# DEFINING THE TERMS: PART 1

*Does some investing lingo leave you in quandary?  
We explain a few commonly used terms below*

**Security:** A financial instrument representing ownership of an asset (as with stocks) or debt owed (as with bonds). Other examples include mutual funds, exchange-traded funds, futures, options and swaps.

**Asset class:** A broadly defined group of assets that have similar characteristics. Often, these classes are broken down into stocks, bonds, cash and commodities. However, the term also could be used to refer to non-securitized assets such as real estate and collectibles, including fine art or rare coins.

**Fundamentals:** In investing parlance, this refers to a company's performance as measured by core statistics, such as revenue, net income and cash flow, as opposed to non-fundamental factors, such as the performance of the stock price.

**Cyclical stock:** The stock of a company, the performance of which tends to rise and fall depending on the economic environment. For example, a maker of luxury goods might see its biggest profits when the economy is booming — meaning that more people can afford its products — but experience reduced profits or even losses during times of economic distress.

**Defensive stock:** The stock of a company, the performance of which is less sensitive than most other stocks to the economy's ups and downs because the company sells products and services that people need to buy, no matter what. This group of stocks includes many consumer staples, health-care and utilities stocks.

Definitions by Adam Zoll / Morningstar.com