Professional Certificate in Introduction to ETFs (Exchange-Traded Funds)

Introduction to Exchange-Traded Funds

Active Management refers to the investment strategy where a fund manager actively buys and sells securities to achieve the fund's investment objectives, this approach is often used in actively managed ETFs, which aim to outperform a specific benchmark or index. Related terms include Passive Management and Quantitative Management.

Annual Report is a comprehensive document that publicly traded companies must file with the relevant regulatory authority, typically on an annual basis, it provides detailed information about the company's financial performance, management discussion, and analysis, as well as other relevant information.

Arbitrage refers to the investment strategy that involves taking advantage of price differences between two or more markets, this can be done by buying a security at a low price in one market and selling it at a higher price in another market, the goal is to lock in a profit. Related terms include Market Neutral and Risk Arbitrage.

Asset Allocation is the process of dividing a portfolio's investments among different asset classes, such as stocks, bonds, and commodities, this is done to achieve a specific investment objective, manage risk, and maximize returns, it is a key concept in investment management.

Authorized Participant is a financial institution that is authorized to create or redeem ETF shares, this is typically done by a large bank or brokerage firm, they play a crucial role in maintaining the liquidity of an ETF.

Backwardation refers to a situation where the price of a futures contract is lower than the spot price of the underlying asset, this can occur in commodity markets when there is a shortage of the underlying asset. Related terms include Contango and Normal Backwardation.

Benchmark is a standard against which the performance of an investment portfolio or fund is measured, it is typically an index or a set of indices that reflects the portfolio's investment objectives, benchmarks are used to evaluate the performance of a fund.

Beta is a measure of the systematic risk or volatility of a security or portfolio, it measures the sensitivity of the security's price movements to the overall market, a beta of 1 indicates that the security's price movements are perfectly correlated with the market.

Bid-Ask Spread refers to the difference between the bid price and the ask price of a security, the bid price is the price at which a buyer is willing to buy, while the ask price is the price at which a seller is willing to sell, a narrow bid-ask spread indicates high liquidity.

Block Trade is a large trade of securities, typically involving 10,000 shares or more, this type of trade is often used by institutional investors to buy or sell a large quantity of securities, it can have a significant impact on

the market price.

Bond is a type of debt security issued by! A borrower to raise capital, it represents a loan made by an investor to the borrower, the investor receives regular interest payments and the return of principal at maturity. Related terms include Corporate Bond and Government Bond.

Call Option is a type of option contract that gives the holder the right, but not the obligation, to buy an underlying asset at a specified price, known as the strike price, before a specified date, known as the expiration date.

Capital Gain refers to the profit made from the sale of a security, it is the difference between the sale price and the original purchase price, capital gains are subject to taxation, and the tax rate depends on the holding period.

Commodity refers to a basic good or raw material that can be bought or sold, examples include oil, gold, and agricultural products, commodities are often used as inputs in the production of other goods or services.

Commodity ETF is a type of ETF that tracks the price of a commodity or a basket of commodities, it allows investors to gain exposure to the commodity market without having to physically hold the commodity, commodity ETFs are often used for hedging or speculation.

Contango refers to a situation where the price of a futures contract is higher than the spot price of the underlying asset, this can occur in commodity markets when there is a surplus of the underlying asset, related terms include Backwardation and Normal Contango.

Creation Unit is a large block of ETF shares, typically 50,000 shares or more, that is used to create or redeem ETF shares, this is typically done by an Authorized Participant, creation units are used to maintain the liquidity of an ETF.

Currency ETF is a type of ETF that tracks the price of a currency or a basket of currencies, it allows investors to gain exposure to the foreign exchange market without having to physically hold the currency, currency ETFs are often used for hedging or speculation.

Derivative is a financial instrument whose value is derived from the value of an underlying asset, examples include options, futures, and swaps, derivatives are often used for hedging or speculation.

Diversification refers to the investment strategy of spreading investments across different asset classes, sectors, or geographic regions, this is done to manage risk and maximize returns, diversification can help reduce portfolio risk.

Dividend is a payment made by a company to its shareholders, it is typically a portion of the company's profit, dividends are usually paid quarterly or annually, and they can be an important source of income for investors.

Efficient Market Hypothesis refers to the idea that financial markets are informationally efficient, meaning

that prices reflect all available information, this theory suggests that it is impossible to consistently achieve abnormal returns through fundamental analysis or technical analysis.

Emerging Market refers to a country or region that is in the process of developing its economy, these markets are often characterized by rapid growth and high volatility, emerging markets can offer attractive investment opportunities for investors.

ETF Provider is a company that issues and manages ETFs, examples include BlackRock, Vanguard, and State Street, ETF providers are responsible for creating and redeeming ETF shares, as well as managing the underlying portfolio.

Exchange-Traded Fund is a type of investment fund that is traded on a stock exchange, it is designed to track the price of an underlying asset or index, ETFs offer flexibility and liquidity to investors, and they can be used for long-term investing or short-term trading.

Expense Ratio refers to the percentage of a fund's assets that is deducted to cover the fund's operating expenses, it is an important factor to consider when evaluating the cost of an ETF, a lower expense ratio can result in higher net returns for investors.

Financial Regulator is a government agency responsible for overseeing and regulating the financial industry, examples include the Securities and Exchange Commission and the Financial Industry Regulatory Authority, financial regulators are responsible for protecting investors and maintaining the integrity of the financial markets.

Futures Contract is a type of derivative that obligates the buyer to purchase the underlying asset at a specified price on a specified date, futures contracts are often used for hedging or speculation, they can be traded on a futures exchange.

Global Depositary Receipt is a type of security that represents a share in a foreign company, it is traded on a local stock exchange and is often used by foreign companies to raise capital in international markets, GDRs offer convenience and liquidity to investors.

Hedging refers to the investment strategy of reducing or managing risk by taking a position in a security that is inversely correlated with the risk, hedging can be used to mitigate potential losses or lock in profits, it is often used by institutional investors and corporations.

Index Fund is a type of investment fund that tracks the price of an underlying index, it is designed to replicate the performance of the index, index funds offer diversification and low costs to investors, and they can be used for long-term investing.

Inflation refers to the rate at which prices for goods and services are rising, it is an important factor to consider when evaluating the value of an investment, inflation can erode the purchasing power of money over time.

Institutional Investor refers to a large organization that invests on behalf of its members or clients, examples include pension funds, endowments, and insurance companies, institutional investors often have significant

assets under management and play a major role in the financial markets.

Investment Objective refers to the goal or strategy that an investor or fund seeks to achieve, it can include capital appreciation, income generation, or risk management, investment objectives are used to guide the investment decisions of a fund or portfolio.

Leverage refers to the use of debt or other financial instruments to amplify the potential returns of an investment, leverage can be used to magnify gains, but it also increases the risk of losses, it is often used by hedge funds and traders.

Liquidity refers to the ability to buy or sell a security quickly and at a fair price, it is an important factor to consider when evaluating the marketability of an investment, liquidity can be measured by the bid-ask spread or the trading volume.

Market Capitalization refers to the total value of a company's outstanding shares, it is calculated by multiplying the number of shares by the market price, market capitalization is used to categorize companies into different size categories, such as large-cap, mid-cap, or small-cap.

Market Maker is a financial institution that provides liquidity to a security by buying and selling it, market makers are responsible for maintaining a fair and orderly market and are often used by exchanges and brokerage firms.

Merger refers to the combination of two or more companies into a single entity, mergers can be used to increase efficiency, reduce costs, or expand market share, they can be friendly or hostile, depending on the circumstances.

Net Asset Value refers to the total value of a fund's assets minus its liabilities, it is calculated by dividing the total value by the number of shares outstanding, NAV is used to determine the price of a fund's shares.

Open-End Fund is a type of investment fund that can issue new shares or redeem existing shares at any time, it is designed to provide flexibility and liquidity to investors, open-end funds are often used for long-term investing.

Option Contract is a type of derivative that gives the holder the right, but not the obligation, to buy or sell an underlying asset at a specified price, option contracts can be used for hedging or speculation, they can be traded on an options exchange.

Passive Management refers to the investment strategy of tracking a benchmark or index, rather than trying to beat it, passive management is often used by index funds and ETFs, it is designed to provide low-cost and efficient investment solutions.

Portfolio refers to a collection of investments held by an individual or institution, it can include stocks, bonds, commodities, and other securities, portfolios are used to achieve specific investment objectives and manage risk.

Portfolio Rebalancing refers to the process of adjusting a portfolio's asset allocation to maintain its target

weightings, this is done to ensure that the portfolio remains aligned with its investment objectives and to manage risk.

Precious Metal refers to a rare and valuable metal, such as gold, silver, or platinum, precious metals are often used as a store of value or a hedge against inflation or market volatility.

Quantitative Easing refers to a monetary policy tool used by central banks to stimulate economic growth, it involves the purchase of securities from banks to inject liquidity into the financial system, quantitative easing can help lower interest rates and stimulate lending.

Real Estate Investment Trust is a type of company that owns or finances real estate properties, REITs are often used by individual investors to gain exposure to the real estate market without directly owning physical properties, they can provide income and diversification benefits.

Risk Management refers to the process of identifying, assessing, and mitigating potential risks, it is an important aspect of investment management and can involve the use of hedging strategies or diversification techniques.

Securities and Exchange Commission is a government agency responsible for regulating and overseeing the securities industry, the SEC is responsible for protecting investors and maintaining the integrity of the financial markets.

Share Class refers to a category of shares in a fund that has distinct characteristics, such as a different fee structure or investment objective, share classes are often used by mutual funds and ETFs to offer different investment options to investors.

Short Selling refers to the investment strategy of selling a security that the seller does not own, with the expectation of buying it back at a lower price to realize a profit, short selling can be used to hedge against potential losses or speculate on price declines.

Sovereign Wealth Fund is a state-owned investment fund that manages a country's financial assets, sovereign wealth funds are often used to invest in strategic assets, such as companies or real estate, and can be used to diversify a country's revenue streams.

Stock Split refers to a corporate action in which a company divides its existing shares into a larger number of shares, this is often done to make the shares more affordable to investors or to increase liquidity.

Swap is a type of derivative that involves the exchange of one asset or cash flow for another, swaps can be used to manage risk or speculate on price movements, they can be traded over-the-counter or on an exchange.

Tax Efficiency refers to the ability of an investment to minimize tax liabilities, tax-efficient investments can help maximize after-tax returns, tax efficiency is an important consideration for individual investors and institutional investors.

Tracking Error refers to the difference between the performance of an ETF or index fund and its underlying

benchmark, tracking error can be caused by fees, trading costs, or portfolio management decisions, it is an important factor to consider when evaluating the performance of an ETF or index fund.

Trading Volume refers to the number of shares or contracts traded in a security over a given period, trading volume can be used to measure liquidity and market activity, it is an important factor to consider when evaluating the marketability of an investment.

Value Investing refers to the investment strategy of buying securities that are undervalued by the market, value investors seek to identify companies with strong fundamentals that are trading at a discount to their intrinsic value, this approach can help generate long-term returns.

Volatility refers to the degree of uncertainty or risk associated with the price movements of a security or portfolio, volatility can be measured by the standard deviation of returns, it is an important factor to consider when evaluating the risk of an investment.

Yield refers to the return on investment, expressed as a percentage, yield can be used to measure the income generated by a security or portfolio, it is an important factor to consider when evaluating the attractiveness of an investment.

Yield Curve refers to the graphical representation of the relationship between the yield of a bond and its maturity, the yield curve can be used to measure the expectations of market participants and the inflation outlook, it is an important tool for fixed income investors.

Zero-Coupon Bond is a type of bond that does not make periodic interest payments, instead, it is sold at a discount to its face value and matures at par, zero-coupon bonds are often used by institutional investors to finance long-term projects or to match liabilities.