

- **portfolio** (portfolios) N-COUNT

A **portfolio** is a range of investments held by a person or an organisation. A person who manages a client's investments is a **portfolio manager**.

*Wirecard is still the fund's largest holding but has dropped to 10 per cent of the portfolio because of the fall in its share price over the past 12 months.*

- **alternative investment** (alternative investments) N-COUNT

An **alternative investment** is a financial asset that does not fall into one of the conventional investment categories. Conventional categories include stocks, bonds, and cash. Most **alternative investment** assets are held by institutional investors or accredited, high-net-worth individuals because of their complex nature, lack of regulation, and degree of risk. Private equity or venture capital, hedge funds, real estate property, commodities, and tangible assets are all examples of alternative investments.

*Pension funds have increased their exposure to alternative asset classes like private equity and real estate.*

- **active investing** N-UNCOUNT

In **active investing** a portfolio manager makes decisions about how to invest the client's money, believing that it is possible to outperform the market by capitalizing on price movements, events and conditions. The portfolio manager invests in securities and watches them. He monitors them after buying them, and actively pursues actions that will take advantage of market conditions.

*The Abu Dhabi Investment Authority, which manages an estimated £700bn, said its fixed income and treasury department had begun scaling up active investing.*

- **passive investing** N-UNCOUNT

In **passive investing** the investor researches a stock, fund or ETF and then invests in its long term potential. The investor essentially "buys and holds" onto the investment. A **passive investment** strategy operates under the assumption that the efficiency of the market over the long term can and will yield the best results. *Europe has rushed to join the passive investing boom, with the assets held in exchange traded funds surging beyond the \$1tn mark as disenchantment with stockpickers grows.*

- **fixed income assets**

A **fixed-income** security is an investment that provides a return in the form of fixed periodic interest payments and the eventual return of principal at maturity. The payments are known in advance. A bond is a **fixed income** security. Bonds include, for example, treasury bonds and corporate bonds.

*Many retail investors and financial advisors are still making chunky allocations in fixed income assets in low risk portfolios which are often used for savers approaching retirement.*

- **equity** (equities) N-COUNT

When you buy stocks or shares in a company, your stake in the company is called **equity**. The calculation of equity is a company's total assets minus its total liabilities.

*Tianhong Asset Management said it will spend Rmb500m to support its equity funds.*

- **foreign exchange**

**Foreign exchange** reserves are assets held on reserve by a central bank in foreign currencies. **Foreign exchange** assets can include bonds, treasury bills and other government securities. *... the exchange group "continues to look at opportunities across all asset classes including foreign exchange".*

- **emerging market** (emerging markets) N-COUNT

**Emerging markets** are countries with low incomes and high growth prospects.

*Deutsche Bank has offloaded a portfolio of emerging market debt derivatives to Goldman Sachs.*

- **exchange traded fund** (exchange traded funds) (ETFs) N-COUNT

An **exchange-traded fund** (ETF) is a type of security that involves a collection of securities—such as stocks—that often tracks an underlying index, although they can invest in any number of industry sectors or use various strategies. ETFs are in many ways similar to mutual funds; however, they are listed on exchanges and ETF shares trade throughout the day just like ordinary stock. Some well-known example is the SPDR S&P 500 ETF (SPY), which tracks the S&P 500 Index. ETFs can contain many types of investments, including stocks, commodities, bonds, or a mixture of investment types. An **exchange-traded fund** is a marketable security, meaning it has an associated price that allows it to be easily bought and sold.

*One of the biggest trends in finance over the past decade has been the explosive growth of cheap, passive investment vehicles known as exchange traded funds.*

- **index fund** (index funds) N-COUNT

In an **index fund** the fund manager builds a portfolio of stocks or bonds that mirrors the composition and performance of a financial market index. **Index funds** seek to match the risk and return of the market, on the theory that long-term in the long-term the market will outperform any single investment.

*Assets managed by global index funds have smashed through the \$10tn level, buoyed by rising markets and an investor exodus from pricier actively managed funds.*

1. Use the expressions in the box to complete the gaps.

portfolio manager (2x)	stock	active money management	analysts
price	active investment	portfolio	bond
			asset

### Active investing

Active investing, as its name implies, takes a hands-on approach and requires that someone act in the role of \_\_\_\_\_. The goal of \_\_\_\_\_ is to beat the stock market's average returns and take full advantage of short-term price fluctuations. It involves a much deeper analysis and the expertise to know when to pivot into or out of a particular \_\_\_\_\_, \_\_\_\_\_, or any \_\_\_\_\_. A \_\_\_\_\_ usually oversees a team of \_\_\_\_\_ who look at qualitative and quantitative factors, then gaze into their crystal balls to try to determine where and when that \_\_\_\_\_ will change.

Active investing requires confidence that whoever is investing the \_\_\_\_\_ will know exactly the right time to buy or sell. Successful \_\_\_\_\_ management requires being right more often than wrong.

Source: <https://www.investopedia.com/news/active-vs-passive-investing/>

2. Read the text on Passive investing and mark each statement TRUE or FALSE.

### Passive Investing

If you're a passive investor, you invest for the long haul. Passive investors limit the amount of buying and selling within their portfolios, making this a very cost-effective way to invest. The strategy requires a buy-and-hold mentality. That means resisting the temptation to react or anticipate the stock market's every next move.

The prime example of a passive approach is to buy an index fund that follows one of the major indices like the S&P 500 or Dow Jones. Whenever these indices switch up their constituents, the index funds that follow them automatically switch up their holdings by selling the stock that's leaving and buying the stock that's becoming part of the index. This is why it's such a big deal when a company becomes big enough to be included in one of the major indices: It guarantees that the stock will become a core holding in thousands of major funds.

When you own tiny pieces of thousands of stocks, you earn your returns simply by participating in the upward trajectory of corporate profits over time via the overall stock market. Successful passive investors keep their eye on the prize and ignore short-term setbacks—even sharp downturns.

Source: <https://www.investopedia.com/news/active-vs-passive-investing/>

- Passive investing involves buying and selling stocks and shares often.
- It is important for passive investors to follow the fluctuations of the stock market closely.
- When a company is indexed on the stock market, it is automatically included in an index fund.
- An investor who has bought into an index fund makes money because the companies making up the portfolio make a profit.

3. Match the two halves of the sentences.

- |   |                                    |
|---|------------------------------------|
| a. Investors who follow a passive investment strategy | i. are likely to accept high risk. |
| b. Investors who prefer an active investment strategy | ii. are probably risk averse.      |

4. Match each investor's action with an investment strategy or type

- |   |                             |
|---|-----------------------------|
| a. John has bought shares in a public limited company.                    | i. passive investing        |
| b. Jane has invested in an index fund.                                    | ii. active investing        |
| c. Fred has bought government bonds.                                      | iii. equity                 |
| d. Sarah has invested in real estate.                                     | iv. alternative investments |
| e. Susan follows the stock market closely to decide what to buy and sell. | v. fixed income asset       |