

Terminology

Market Capitalization

- Market capitalization, commonly called market cap, is the market value of a publicly traded company's outstanding shares.
 - Small-Cap: < 2 Billion Market Capitalization
 - Mid-Cap: 2 < x < 10 Billion Market Capitalization
 - Large-Cap: >10 Billion Market Capitalization

Sharpe Ratio

- In finance, the Sharpe ratio measures the performance of an investment compared to a risk-free asset, after adjusting for its risk.
- The higher the number, the better (High amount of expected return for low amount of risk).

Mutual Funds

- Investments that pool your money together with other investors to purchase shares of a collection of stocks, bonds, or other securities.
 - Generally actively managed
 - Very diversified, access to many different asset classes
 - High fees (usually 1-2%)
 - Can only be traded while market is closed

Risk

- Unsystematic Risk: Risk that is captured within a specific company or industry.
 - An example could be political and legal risk within the cannabis industry.
- Systematic Risk: Risk captured within the entire market.
 - Inflation, Interest Rates, Recessions, etc.
- How can an investor minimize the level of unsystematic risk present within their portfolio?

Efficient Frontier Theory/Modern Portfolio Theory

- Created by Harry Markowitz in 1952.
 - Set of portfolios that offer the highest expected return for a defined level of risk or the lowest risk for a given level of expected return.
- Foundation block of Modern Portfolio Theory (MPT).
 - A theory about how risk averse investors can construct portfolios to maximize expected returns, based off a given level of market risk.

Portfolio Allocation

- Portfolio Allocation for an Investor can vary off of several factors, some examples are:
 - Risk Tolerance
 - Time Horizon
 - Investment Vehicles
 - Cost/Fees
- Generally, an investor should be willing to take on more risk earlier in their life than later in their life.

Mutual Fund vs ETF

- Both have their places in a portfolio, however:
 - Mutual Funds may require Front-Load, Back-End Load Fees.
 - A higher management/investment advisory fee.
 - Most Mutual Funds, in the long term, underperform the major indices in the market.