Glossary of Tortoise Trading: A Comprehensive Guide to the Language of Successful Investing

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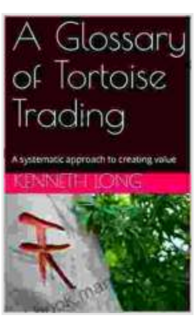
The language of successful investing can be daunting to newcomers, but it is essential to master if you want to achieve your financial goals. This glossary of Tortoise Trading provides clear and concise definitions of the key terms you need to know, so you can make informed investment decisions and build a successful portfolio.



A Glossary of Tortoise Trading: A systematic approach to creating value by Rachelle Crawford

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Absolute Value

The absolute value of a number is its distance from zero on the number line. It is always positive, regardless of whether the original number is positive or negative. For example, the absolute value of -5 is 5.

Alpha

Alpha is a measure of the excess return of an investment over and above the return that would be expected from the market as a whole. A positive alpha indicates that the investment has outperformed the market, while a negative alpha indicates that it has underperformed.

Beta

Beta is a measure of the volatility of an investment relative to the volatility of the market as a whole. A beta of 1 indicates that the investment is as volatile as the market, while a beta greater than 1 indicates that the investment is more volatile than the market.

Book Value

The book value of an asset is its value as recorded on the balance sheet of a company. It is calculated by subtracting the company's liabilities from its assets.

Capital Gains

Capital gains are the profits you make when you sell an investment for more than you paid for it. They are taxed at a lower rate than ordinary income, which can make them a valuable way to build wealth.

Correlation

Correlation is a measure of the relationship between two investments. A positive correlation indicates that the two investments tend to move in the same direction, while a negative correlation indicates that they tend to move in opposite directions.

Covariance

Covariance is a statistical measure of the relationship between two random variables. It is calculated by multiplying the variance of one variable by the variance of the other variable and then multiplying the result by the correlation between the two variables.

Diversification

Diversification is an investment strategy that involves spreading your money across a variety of different investments. This helps to reduce risk because it is unlikely that all of your investments will lose value at the same time.

Efficient Frontier

The efficient frontier is a graphical representation of the relationship between risk and return. It shows the combinations of investments that offer the highest return for a given level of risk.

Expected Return

The expected return of an investment is the average return that you can expect to earn over time. It is calculated by multiplying the probability of each possible return by the amount of that return.

Fundamental Analysis

Fundamental analysis is an investment technique that involves studying the financial statements and other publicly available information about a company to determine its intrinsic value.

Hedge

A hedge is an investment position that is designed to offset the risk of another investment position. For example, you could buy a put option to hedge against the risk of a decline in the price of a stock.

Leverage

Leverage is a way to increase your potential return on investment by borrowing money to buy more investments. However, it also increases your potential risk.

Liquidity

Liquidity is a measure of how easily an investment can be bought or sold. A liquid investment can be sold quickly and without a significant loss in value.

Margin

Margin is a loan that allows you to buy more investments than you could otherwise afford. However, it also increases your potential risk.

Mutual Fund

A mutual fund is a pooled investment vehicle that invests in a variety of different assets. Mutual funds offer diversification and professional management.

Options

Options are contracts that give you the right, but not the obligation, to buy or sell a security at a certain price on or before a certain date. Options can be used to hedge risk or speculate on the future direction of a security's price.

Portfolio

A portfolio is a collection of investments. A well-diversified portfolio will include a variety of different assets with different risk and return profiles.

Regression Analysis

Regression analysis is a statistical technique that is used to identify the relationship between two or more variables. It can be used to determine the impact of one variable on another.

Risk

Risk is the possibility that an investment will lose value. Risk can be measured in a variety of ways, including volatility, standard deviation, and beta.

Standard Deviation

Standard deviation is a measure of the volatility of an investment. It is calculated by taking the square root of the variance.

Stop-Loss Order

A stop-loss order is an order to sell a security if it falls below a certain price. Stop-loss orders can be used to limit your losses if the price of a security declines.

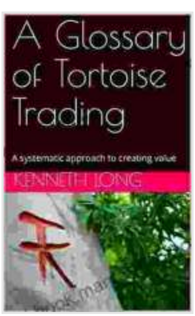
Technical Analysis

Technical analysis is an investment technique that involves studying the past prices and trading volume of a security to identify patterns that can be used to predict future price movements.

Volatility

Volatility is a measure of the fluctuations in the price of an investment. A high volatility investment is one that experiences large price swings, while a low volatility investment is one that experiences small price swings.

This glossary of Tortoise Trading provides a comprehensive overview of the key terms you need to know to make informed investment decisions. By understanding these terms, you will be better equipped to manage your investments and achieve your financial goals.



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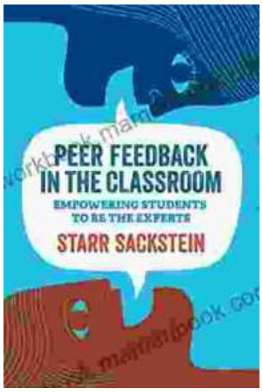

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