

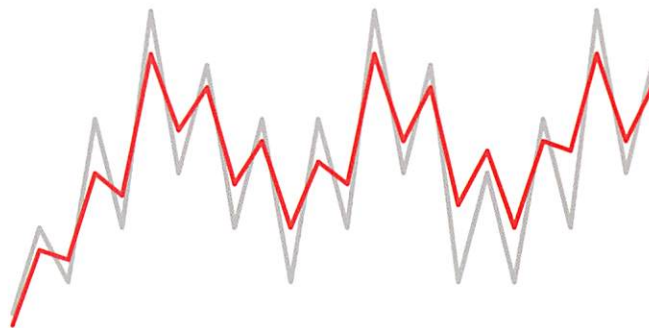
Absolute vs. Relative Return Investing

Two Very Different Approaches

The key to choosing the right investment is understanding what type of investor you are. Take a moment to learn about the two main ways that investment returns are generated: through relative returns and absolute returns. Knowing the differences between the two will help you make more informed investment choices.

Relative Returns

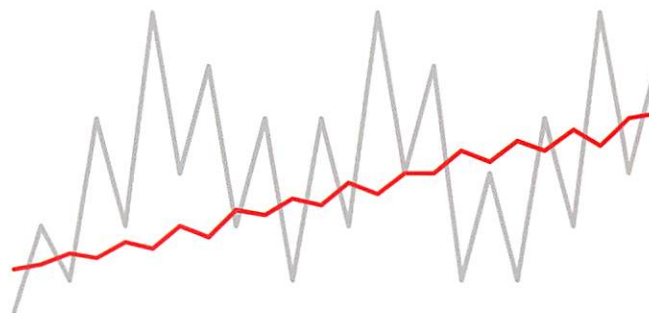
Relative returns are determined largely by movements in the market or in a particular industry sector. For example, many mutual funds provide returns that are dictated largely by the performance of the stock market. Some of the common measures of market performance are the Standard & Poor's 500 Index, the Nasdaq Composite and the Dow Jones Average. These broad indices themselves are highly correlated, meaning they tend to move in the same direction during a market cycle. Almost all equity mutual funds move "relative" (or similarly) to these indices. That's because mutual funds own many of the same securities that make up these indices.



A *relative* return investment tends to move in the same direction as its benchmark. They are "correlated."

Absolute Returns

Absolute returns are not determined by movements in the market or in a particular industry sector. One might say these portfolios or investments march to a different drummer – their own. The direction of the market indices has little or no influence on the returns of an investment strategy that seeks absolute returns. Generally, absolute return strategies refer to investments that attempt to provide ongoing positive returns regardless of the performance of the stock market. Absolute return strategies are typically more conservative and seek modest, consistent growth.



An *absolute* return investment seeks consistent positive returns. It is "uncorrelated" to traditional benchmarks.

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