

## Chapter 1: Investing Concepts

### Video 5

## Asset classes

### Alternative asset classes

Alternative asset classes generally include groups of securities beyond stocks, bonds and cash. Real estate and commodities such as gold are considered alternative asset classes.

### Asset classes

Asset classes are groupings of investments with similar characteristics. Stocks and bonds are examples of asset classes.

### Bonds

A bond is a loan made to a company or government when it needs to raise money, often in exchange for interest, otherwise referred to as the "coupon." You can think of it as an IOU. Bonds generally have a predetermined lifespan and eventually mature, at which point the borrower will repay the principal back to the lender. Bonds are generally considered to be lower-risk investments.

### Cash equivalents

Cash equivalents are high-quality investments that can be converted to cash immediately.

### Commodities

Commodities include raw materials or resources such as gold, oil and natural gas.

### Digital assets

Digital assets include anything that is created and stored digitally, and make up an emerging asset class. Cryptocurrencies, such as bitcoin, non-fungible tokens (NFTs), digital art and even virtual property are considered digital assets.

### Diversification

Don't put all of your eggs in one basket! Diversification is the process of owning many different asset classes or securities with the goal of lowering risk and increasing investment opportunity over the long term.

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## Asset classes (cont.)

### Real estate

Real estate, in the context of investing, may be physical property or an investment in a company that owns and operates income-producing real estate, called a real estate investment trust (REIT). Many REITs are publicly traded, allowing investors to buy and sell them like stocks.

### Stocks

A stock represents partial ownership of a company. Stocks are generally considered higher-risk investments and can offer better potential returns over the long term.

### Traditional asset classes

Traditional asset classes generally include stocks, bonds and cash.