

Chapter 1: Investing Concepts

Video 7

Risk and return expectation

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.

Correlation

Correlation is a statistical measure used to determine the strength of a relationship between two assets and whether their performance tends to move in the same direction. Low or no correlation means that the assets' performance does not appear to be related.

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.

Investment risk

Investment risk refers to the uncertainty related to investing. When investing, actual outcomes may differ from expected outcomes, and you may even lose some, or all, of your investment. Investment risk will vary with each type of security and asset class.

Traditional asset classes

Traditional asset classes generally include stocks, bonds and cash.