

Alpha

The return of an investment that exceeded the return of its benchmark, or “excess return.” For example, if my investment returned 8% and the S&P 500 (my benchmark) returned 6%, I would say my investment had a 2% alpha.

Debt/Capital

This ratio compares the amount of debt to the amount of capital in a company. Most Dividend Growth managers like to see this number less than 50%. A higher debt-to-capital ratio indicates that a company is riskier because they are taking on more debt. Debt as a percentage of total capital.

Down-Capture

The opposite of Up Capture. Compares the investment’s performance to the benchmark when returns have declined. If Down Capture is greater than 100% (or 1.0), the manager experienced more loss than the benchmark. If Down Capture is 80% (or 0.8), the investment experienced only 80% of the negative return that the benchmark experienced. Lower Down Capture is better.

Holdings

The number of stock positions in a given portfolio.

Standard Deviation

A measure of how spread apart your investment returns are. The more spread out the data, the greater its standard deviation. A higher standard deviation indicates more volatility and less consistency/predictability.

For those who want the nitty gritty: In a normal distribution, there is a 68% probability the actual return of an investment will be plus or minus 1 standard deviation from the average return. If an investment’s standard deviation is 11% and its average return is 5%, there is a 68% chance the next return will be between -6% and 16%.

Turnover

Turnover indicates how often stock positions are traded out of strategies. For example, let’s say Manager A has 50 positions in their portfolio in 2020. Over the course of the year, they took 5 positions out of the portfolio and added 5 new positions. This is a 10% turnover in the portfolio. 5 out of 50 positions were traded from the portfolio, which is 10%.

Up-Capture

Compares an investment’s performance to the benchmark when returns are rising. If Up Capture is greater than 100% (or 1.0), the manager has performed better than their benchmark. If Up Capture is, for example, 80% (or 0.8), that means they experienced 80% of the return that the benchmark experienced. Higher Up Capture is better.

Yield

Yield indicates the amount of cash that is returned to owners of a security. For stocks, this is paid in the form of dividends.

5-Year Earnings Per Share (EPS) Growth Rate

The growth of earnings per share over time. EPS is a company's profit divided by the number of outstanding shares of its common stock. How much profit did the company make for every share of stock they issue? The 5-Year EPS Growth Rate is made of two average. First, the average EPS growth is calculated for each company in the manager's portfolio. Then, those averages are averaged. This demonstrates how much the companies in a manger's portfolio have grown over the last 5 years.