A

1. Aadhaar - Aadhaar is a unique number that serves as a proof of identity and address throughout India. It provides a biometric verification of the holder's identity based on iris scans and fingerprints. Any resident of India, irrespective of their age or gender, who satisfies the verification process laid down by the Unique Identification Authority of India **(UIDAI)**, can enroll for Aadhaar. It is now used as an identity verification tool for several purposes, such as receiving direct subsidy from the government, applying for mobile connections, etc. UIDAI has completed 1.39 **billion** Aadhaar card enrolments as of September 2016[1]. The success of Aadhaar has led to countries such as Russia, Morocco, Tunisia and Algeria approaching the UIDAI for assistance in their national programs[2]. See also **KYC**

2. Accumulate – Accumulate is the recommendation for a stock that is a good investment but should be purchased at lower prices. In analyst lingo, what it means is that you should consider this stock as a potential **buy**. It also signals that if you have already invested in the stock, you ought to continue holding onto the stock and wait for the right price to make an additional investment. But, if you are a new investor looking to buy shares in a company for the first time, note that the stock is good investment but the price is not right.

In reality, this is a half-hearted 'Buy' recommendation. If the stock goes up, the analyst can always say that he had recommended to accumulate and if it goes down, the analyst can say that he had recommended buying on

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1 UIDAI. (2016 September). Aadhaar Trend Monthwise. portal.uidai.gov.in.

2 Amrit Raj, U. J. (2016, Jul 9). Aadhaar goes global, finds takers in Russia and Africa. http://www.livemint.com/Politics/UEQ9o8Eo8RiaAaNNMyLbEK/Aadhaar-goes-global-finds-takers-in-Russia-and-Africa.html. Retrieved Oct 3, 2016

declines. Either way, s/he is covered. Typical analyst double-speak. See also **Buy, Sell, Analyst**

3. Acquisition - An acquisition is an action in which a person or an entity acquires either a controlling or total stake of a target company's shareholding to assume control of the target company. Acquisitions are a preferred route for companies when they are looking for expansion through inorganic growth rather than new projects. Acquisitions are often paid for in cash, the acquiring company's stock or a combination of both. In India, acquisitions of listed companies are governed by **SEBI** vide **Takeover Code.** Any entity wishing to acquire a controlling stake (defined as 25% or higher) of a listed company in India needs to follow the guidelines laid out in the code[3].

Several acquisitions are seen during boom times, when companies are flush with cash and looking for 'get rich quick' schemes, while logic would say that it is better to make acquisitions during downturns when the valuations are low and sellers are desperate. Tata Steel acquired Corus for US $12.1 **billion** in 2007 at the peak of a booming global economy, and is now at the core of the problems faced by the company in 2016. Acquisitions usually fall into one of the three categories: overpaid, oversized, and under-thought. See also **Takeover**

4. AGM – AGM stands for Annual General Meeting, which is a meeting of all the shareholders, required to be held every year as per the **Companies Act.** It is mandatory to hold this meeting within six months of completion of a financial year. The AGM is held to obtain shareholders' approval for certain actions viz. adoption of accounts, appointment of internal **auditors**/external auditors, appointment of directors and approval of their remuneration. Besides this, a company may take up other items which require shareholders' approval.

AGMs are supposed to be weighty affairs with the whole board in attendance, to respond to shareholder queries at this once-in-a-year affair. But in practice, they turn out to be hastily wrapped up meetings or an occasion where the board of directors and the top management humour their owners -the shareholders, by feigning to listen to them and supposedly reply to their questions. Very few shareholders dare to question the management at these meetings and more often are used by most as an occasion for free-boarding.

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3 SEBI. (2011). Securities and Exchange Board of India (Substantial Acquisition of Sharesand Takeovers) Regulations, 2011. Retrieved Oct 3, 2016, from http://www.sebi.gov.in/cms/sebi_data/commondocs/takeovernotifi_p.pdf

AGMs are used bysome companies to grandstand and project the promoters. One particular AGM though, has a achieved a cult like following anda stature of apilgrimage- **Berkshire Hathaway** in Omaha with **Warren Buffett** at the helm, dripping pearls of investment wisdom.

5. Algorithmic Trading - Algorithmic Trading, also known as algo trading or black box trading,is a system of trading which helps in deciding on trading strategy in the financial markets using any simple or complex logic, based on certain user inputs. The Merriam-Webster dictionary defines algorithm as "a procedure for solving a mathematical problem (as of finding the greatest common divisor) in a finite number of steps that frequently involves repetition of an operation; Broadly speaking, it involves a step-by-step procedure for solving a problem or accomplishing it to some end especially by a computer." The software is designed to evaluate market data on split second basis, create profitable trading models and execute the decision. Algo trading is widely used in stocks, commodities or currency markets.

High Frequency Trading or HFT is also a form of algorithmic trading. As per an article in New York Times "high-speed trading using computer algorithms has grown from obscurity to become the dominant force in the market, now estimated to account for half of the shares traded in the United States[4]." Several exchanges, including the **BSE** and the **NSE**, have experienced unexplained unusually high **volatility** leading to a crash, which was later attributed to algo trading. In order to regulate such movements and protect the individual investor, **SEBI** has been releasing guidelines on use of algo trading from time to time[5].

FURTHER READING- Flash Boys- A Wall Street Revolt, By Michael Lewis

6. Alpha – Alpha is the measure of a fund or portfolio's positive performance against a **benchmark** index. For example, in case of an equity fund **benchmarked** against **Sensex,** excess returns of the fund relative to the rise in Sensex over a given period of time is the fund's alpha. Thus, we say that a fund or portfolio's Alpha can be calculated by the equation:

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4 Alden, W. (2014). Inquiry into High-Speed Trading Widens. New York Times. Retrieved Oct 11, 2016 from http://dealbook.nytimes.com/2014/03/18/schneiderman-announces-inquiry-into-services-for-high-speed-traders/?rref=collection%2Ftimestopic%2FHigh-Frequency%20Trading&_r=0

5 SEBI. (2013, 24 Dec). Broad Guidelines on Algorithmic Trading. SEBI. Retrieved Oct 3, 2016, from http://www.sebi.gov.in/cms/sebi_data/commodities/circulars/AlgoTrade24Dec13.pdf

Alpha = Fund Return – Market Return

If a fund's Alpha is known, the fund's returns too can be predicted using the following equation:

Return = Alpha + (**Beta** x Market Return)

Alpha or α is also the first letter of the Greek alphabet. In language too, alpha has been used to describe male leaders as alpha males.

Seeking alpha for their fund is an ongoing quest for all fund managers. Often in their quest to do so, they end up increasing the risk profile of the fund or portfolio under their management.

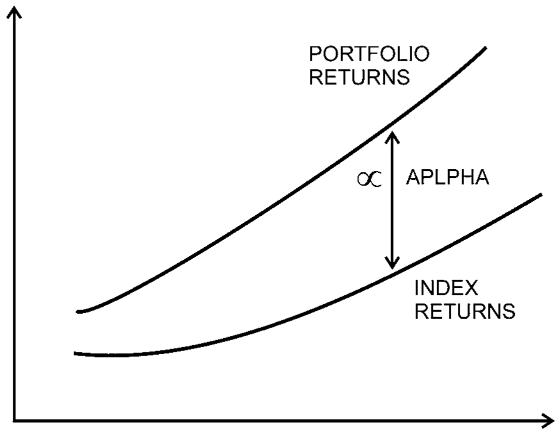

Figure 1: Alpha

Howard Marks, co-founder of Oaktree Capital, said about Alpha: "To me, alpha is skill. It's the ability to profit from things other than the movements of the market, to add to returnwithout adding proportionately to risk, and to be right more often than is called for by chance" (Memo to Oaktree Clients Apr 10, 2001)[6]. See also **Beta.**

FURTHER READING- The Most Important Thing, By Howard Marks

7. Amazon Effect – The Amazon Effect is the impact on the competition when Amazon, the online marketplace store, enters into any new business with

6 Marks, H. (2001, April 10). Safety First, but Where. Memo to Oaktree Clients, p. 8/11. Retrieved Oct 3, 2016, from https://www.oaktreecapital.com/docs/default-source/memos/2001-04-10-safety-first-but-where.pdf?sfvrsn=2

its huge volumes, massive discounts to the traditional store prices, and highly efficient logistics. With its almost-endless product choice, focus on customer service, and rapid delivery, Amazon is dominating the e-commerce sector. The Amazon effect is driving a change throughout the retail, supply chain, and logistics industries. It has succeeded in permanently impairing various retail businesses such as books, music, electronics, computers, apparel, fashion, etc. and is set to rival large logistics companies such as UPS, DHL, etc. In 2015, Amazon clocked sales of US $107 **billion**, as against Walmart's which were almost 5 times at US $482 billion. Amazon has a market cap of US $399 billion, while Walmart's market cap is almost half at US $211 billion[7]. This incongruity in valuations, despite superior financials, vividly portrays the Amazon effect.

The Amazon Effect has now, turned into a generic term to describe how online businesses like Amazon can destabilize offline physical businesses through a combination of speed, accessibility and pricing. Jeff Bezos, founder of Amazon Inc., during the conceptualization of Amazon, sketched out his vision on the back of a napkin in this now famous image. (Courtesy: Amazon)

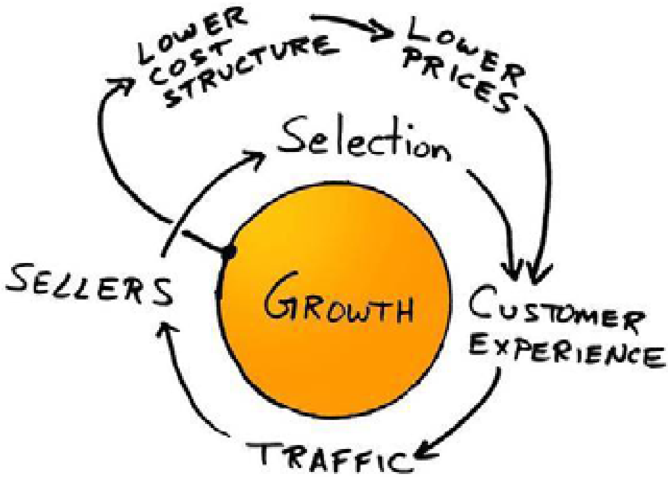

Figure 2: Jeff Bezos vision of Amazon

7 AMZN & WMT. (2016). finance.yahoo.com. Retrieved Oct 11, 2016, from http://finance.yahoo.com/quote/AMZN/financials?p=AMZN and https://in.finance.yahoo.com/q?s=WMT

FURTHER READING – The Everything Store, Jeff Bezos and the Age of Amazon, By Brad Stone

8. Analyst- An analyst is a person working in either a **brokerage** or a financial services firm to carry out research on a company/sector/ economy, analyse the data and present it in the form of a report for the perusal of the firm's clients. They have an important role to play in identifying good investment opportunities and directing capital in that direction.

Analysts are known to be biased towards a company for a host of reasons. The analyst's broking firm may have an investment banking relationship with the company or the analyst may simply want to protect his relationship with a company. Brokerages are also known to publish reports on the same company with conflicting recommendations in a short time frame, with no apparent underlying change in fundamentals, purely to push broking income. See also **Equity Research**

9. Angel Investing – Angel investing is an investment made in the early stages or the start-up phase of a business, often made by friends or relatives of the entrepreneur to help the business get off the ground. Angel investing is vastly different from venture capital.

In an article[8], Ben Horowitz, co-founder of Andreessen Horowitz, a highly successful venture capital firm, succinctly explains the difference: "traditional venture capital model (is incompatible with entrepreneur's needs) in the following ways:

- Lengthy diligence process. Venture capitalists take too long to decide whether or not they want to invest because they are set up to take large risks and have complex processes to evaluate those risks.
- Too much capital. Venture capitalists need to put too much capital to work – often a VC will want to invest a minimum of $3M. If you only need 4 people to build the product and get it into market, this likely won't make sense for your business.
- Board seat. Venture capitalists often require a board seat.

Angel investors are typically well-connected, wealthy individuals. They generally use their own money and come with none of the above VC constraints

8 Horowitz, B. (2010, Mar 2). How Angel Investing is Different from Venture Capital. Business Insider. Retrieved Oct 3, 2016, from http://www.businessinsider.com/how-angel-investing-is-different-than-venture-capital-2010-3?IR=T

describe above. they don't go on boards, they don't need to put in lots of capital (in fact, they usually don't want to), they prefer dead simple terms (as they often don't have legal support), they understand the experimental nature of the idea, and they can sometimes decide in a single meeting whether or not to invest". See also **Venture Capital, Seed Funding**

10. Annual Report– An annual report is the report required to be circulated by a company to its shareholders within a given time frame after the completion of a financial year. The report primarily consists of its financial statements viz. **Balance Sheet, Profit and Loss Account** and **Cash Flow Statement** duly audited by its statutory **auditor,** Directors' report, etc. These are all mandatory as per the **Companies Act.** Besides this, for listed companies, theirlisting agreement requires them to include other information such as **Management Discussion and Analysis,** Remuneration of top managers, shareholding pattern, indebtedness, foreign exchange earnings and outgo, transactions between related parties, etc. This report is then presented before the shareholders at the **Annual General Meeting** for discussion and adoption of the accounts, directors' report and the audit report.

The Annual Report is now a bulky tome containing arcane data, and reading the underlying subtext is beyond the facilities of an ordinary shareholder.

11. Annuity - Annuity is the periodical payment received by an individual buyer of a financial product. Annuity is largely sold by insurance companies, which invest the funds received from the buyer and in turn, upon buyer reaching age of annuity, pay out a stream of payments known as annuity to the individual for a defined period. Several life insurance companies in India now offer annuity plans. The average return on such plans is estimated between 5%-8%, which is also taxable at applicable slab rates[9]. This rate is lower than that from competing product such as **PPF.** As such, annuities are still seen as poor investment options. See also **Pension Plan, NPS**

12. Arbitrage Fund - An arbitrage fund is a fund which trades on arbitrage opportunities within markets. Arbitrageis the simultaneous purchase and sale of an investment to profit from a difference in the price between identical or similar financial instruments in different markets or in different forms. For example, differences in prices of a scrip on **BSE** and **NSE** or difference in prices of **GDR** listed in overseas exchange and the underlying scrip listed in

9 Krishnan, A. (2015, Sep 26). All about annuities. Hindu Business Line. Retrieved Oct 3, 2016, from http://www.thehindubusinessline.com/portfolio/your-money/all-about-annuities/article7692696.ece

domestic exchange. Several arbitrage funds are available for investments by an individual investor. These funds have delivered decent steady returns in a volatile market. But by their very defensive nature (these are always looking to be non-risky/safe), they cannot be expected to deliver market returns akin to equity funds. See also **Equity Fund, Debt Fund, Index Fund**

13. Arm's Length - Arm's length transaction is one in which a buyer and seller act independently and are not related (by blood, marriage or business connection) to each other, ensuring that all parties in the transaction are acting in their own self-interest, are not acting with undue pressure or considerations vis-à-vis the other party; and are dealing from equal bargaining positions. Two strangers with equal bargaining power and knowledge of the property are likely to agree upon a price that is close to market value, as the seller will strive for the highest price possible while the buyer is striving for the lowest price possible. It is assumed that an arm's length transaction will be fair and equitable to all parties involved.You can visualize the origin of this expression by holding out your arm 90 degree to your body. The distance from your armpit to the tip of your fingers (your arm's total length including fingers) is symbolic of the distance between you and your trading partner.

The term arm's length can be used in two waysto refer to two different possible solutions to the transfer pricingproblem(transfer pricing is a tax-related issue wherein the price of a good or service transacted between two related parties is examined from a tax evasion perspective). One method of determining prices at arm's length refers to a method of determining transfer prices by using comparable market prices. On the other hand, arm's length in relation to transactions between related parties can also be used to refer to any method of determining transfer prices that fetches a result same as if it would have been reached between unrelated parties.

14. Asset - An asset is anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value. Assets are the resources of a business that have been acquired through either purchase, construction or creation, and have future economic value that can be measured and expressed in currency terms. Examples of asset accounts that are reported on a company's balance sheet include: cash, investments, accounts receivable, inventory, land, buildings, equipment, goodwill, etc. Assets also include costs paid in advance that have not yet expired such as, prepaid insurance, prepaid rent, etc.

Though it is also a matter of conjecture that some assets turn out to be liabilities over a period of time. An asset may not be what is revealed in the balance sheet. For example, a piece of land carried at historical cost may be worth far more at market prices or in cases such as that of **Satyam**, an asset may be fictitious and overvalued. **Charlie Munger** once said: "the liabilities are always 100% good, it's the assets you have to worry about[10]." See also **Liability, Balance Sheet**

15. Asset Allocation – Asset Allocation is the act of allocating one's portfolio amongst different asset classes viz. debt, equity, real estate, gold, or even commodities. Practitioners swear by asset allocation method as a sure fire means of protecting one's capital and returns. For example, if you have chosen a 65% allocation for equity in your portfolio, and the weight increases due to increased stock prices, you can exit part of your portfolio, book some profits and bring the weightage back to 65%. On the other hand due to drop in the markets, the equity weight reduces, you can shift some funds from other asset classes to bring it back to 65%. In either case, you will book some profits in a bull market and make some new investments in a bear market.

Asset allocation is based on an investor's time horizon and risk tolerance. Asset allocation helps in achieving portfolio diversification and stability, risk management and steady income generation.

16. Asset Reconstruction Company (ARC) -An Asset Reconstruction Company is in the business of acquiring Non Performing Assets (**NPA**) or loans which have not been repaid by borrowers even after repeated notices and efforts of lending banks. ARCs are meant to maximise recovery value while minimizing costs. As the process of recovery from defaulting borrowers is lengthy and tedious, relieving banks of the burden of NPAs allows them to focus better on managing the core business, including new business opportunities. The transfer also helps restore depositor and investor confidence by ensuring banks' financial health. The banks use it as a method to hive off the bad loans from their **balance sheet.** As the level of NPAs increase in the banking system, the business opportunities for ARCs grow at the same pace. ARCs acquire the same power as banks in taking over possession of underlying collaterals, which permits them to enforce their recovery proceedings.

17. Auditor – is a person responsible for evaluating the validity, reliability and veracity of a company or organization's financial statements. The word

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10 Boodell, P. (2009). Wesco 2008 Annual Meeting Notes. mungerisms.blogspot.in. Retrieved Oct 3, 2016, from http://mungerisms.blogspot.in/2009/08/2008-annual-meeting-notes.html

audit is derived from a Latin word "audire" which means "to hear"[11]. During ancient Roman and Greek times, persons employed to verify the correctness of accounts used to hear the accounts and voiced their opinion. The word auditor is derived from this.

The auditor is trained to review and verify that the accounts provided by an audited company accurately corresponds to the activities carried out by the company during a given period. The auditor's job is to write a report at the conclusion of the audit which certifies the degree of accuracy and reliability of an organization's accounts. Chartered Accountants are the only professionals legally permitted to conduct a statutory audit and issue a report. This is known as an Audit Report and it forms part of the financial statements required to be included in **Annual Report.**
Auditors may be internal or external. External auditors are independent accounting/auditing firms that are hired by companies subject to statutory audit. External auditors express their own opinions on whether the financial statements of the company in question are 'true and fair'. For publicly-traded companies, external auditors could also be required to provide an opinion on the effectiveness of internal controls in the business and internal audit. **Internal auditors** are employed by the company under audit and primarily conduct audit to examine the effectiveness of the company's internal controls and systems in the business.

Auditors have been known to get too close to the management of a company and sometimes ignore obvious red flags.For example **Satyam** case. In order to overcome such situations, the **Companies Act** now mandates that beginning April 2017, the statutory audit firm has to be changed every ten years for certain categories of companies[12]. There is a quote in a judgment by Justice Lopes which is taught during chartered accountancystudies: 'An auditor is a watchdog, not a bloodhound[13]'. Lamentably in too many cases, the auditor has now turned into a different canine- a pet poodle. See also **AGM**

11 The Latin Dictionary. Retrieved Oct 3, 2016, from http://latindictionary.wikidot.com/verb:audire

12 EY. Companies Act 2013, Audit and Auditors.EY. Retrieved Oct 3, 2016, from http://www.ey.com/in/en/issues/governance-and-reporting/ey-compass-on-companies-act-2013/ey-cfo-companies-act-2013-audit-and-auditors

13 re Kingston Cotton Mill Company (No.2) (1896), Lindley L.J., Lopes L.J. and Kay L.J. (Court of Appeal). (n.d.). Retrieved Oct 3, 2016, from https://en.wikisource.org/wiki/Re_Kingston_Cotton_Mill_Company_(No.2)_(1896)

18. Averaging - Averaging is the process of buying additional shares in a company at higher or lower prices than the amount that you originally purchased for. This brings the average price you've paid for all your shares up or down, as the case may be.

Generally, most investors think it is better to average down, that is, **buy** more shares of a company when its shares are on downward spiral. The idea being to increase your shareholding and profit handsomely when shares recover. This strategy can work, but more often than not you end up owning more shares in a problem company. We all know the phrase "to catch a falling knife." It is painful buying a stock on the way down, only to be faced with more problems and more losses. Of course, as a long term investor it is imperative that you revisit your buying arguments and check if they are still valid before you make any decision of fresh investment or otherwise at whatever price.