Glossary

Absolute return funds: Investment funds which aim to achieve a positive investment return regardless of market conditions. They typically use a range of asset classes, including shares and bonds, and apply complex investment strategies.

Absolute return: Measure of total gain or loss of a fund expressed as a percentage of capital invested. For example, if you have made an investment of £100,000 and the fund has made an absolute return of 2%, the total return of the investment would be £102,000.

Annual income delivered: Sum of all income payments earned over the fund's last accounting year. Each income payment is the distribution rate as a percentage of the fund price as at the previous XD date (Please see page 4 for Ex-Dividend (XD) definition).

Authorised Corporate Directors (ACD): ACDs are responsible for the running of an investment fund. They have a duty to act in the best interests of the fund's investors, and ensure that the fund is well managed in line with regulations and with the investment objectives and policies set out in its prospectus.

Active yield curve positioning: How closely the maturity profile of the fund's overall portfolio of bonds matches the maturity profile of the benchmark.

Alternatives: Investments and strategies which are different from traditional funds and assets classes (ie shares, bonds, cash). For example, this covers real estate funds, hedge funds, private equity, leveraged strategies, and absolute return funds.

Annual Management Charge (AMC): The annual fee paid by the unit holder that covers the costs of running a fund, usually deducted in arrears once a month from the fund. The AMC is considered before the share prices are calculated.

Asset allocation: The proportion of a fund invested in different asset classes, e.g. shares, bonds, cash, property, geographic regions or industry sectors.

Asset class: A group of investments with similar traits. Shares, bonds, property, cash and alternatives are all examples of asset classes.

Assets Under Management (AUM): Assets under management (AUM) is the market value of the investments managed by a person or entity on behalf of clients.

Bear market: A bear market is often defined as having seen falls of at least 15-20% over at least two months. An investor who is 'bearish' is one who feels pessimistic about the outlook.

Beneficial owner: A beneficial owner is the person who enjoys the benefits of owning an investment. The beneficial owner may not be the same as the legal owner, in whose name the investments are held, usually for reasons of administrative convenience.

Benchmark: An index which is used as a standard to measure and compare a security, mutual fund or an investment manager for characteristics such as performance, sector exposure, weightings and risk.

Beta: a measure of volatility – if fund is less volatile than benchmark it will be less risky than the benchmark when there is a down market and vice versa.

- when beta >1 then fund is more volatile than benchmark
- when beta <1 then fund is less volatile than benchmark

Bid to Bid: A bid price is the price a buyer is willing to pay for a stock or a security. Bid to bid basis is the beginning and the end bid price that is then used to calculate the performance return.

Bottom-up portfolio: A portfolio with a focus on security selection based on good fundamentals.

Bond: A bond is a loan issued by a government or a company. When you buy a bond, the issuer promises to pay a certain amount of income until the bond redeems and is repaid by the issuer. The strength of that promise varies by the issuer of the bond. This is known as creditworthiness.

Bull market: A bull market is often defined as having seen or expecting to see rises over a sustained period. An investor who is 'bullish' is one who feels optimistic about the future.

Central bank: A bank that looks after the currency and money supply of a nation state or group of nation states and helps the relevant government implement its financial policies.

Collective Investment Scheme (CIS): Pooling money from various investors to benefit from asset sharing. The CIS is managed by a fund manager. This enables greater asset diversification and cost effectiveness than what is possible for a single investor.

Commodities: Raw materials or products that have a market value and can be traded on an exchange. Examples include precious metals such as gold, industrial metals such as aluminium or agricultural goods such as wheat.

Corporate bonds: Bonds issued by a company as a way of raising money to invest in their business. They have nominal value which is the amount that will be returned to the investor on a stated future date (the redemption date). These bonds are bought and sold on the market and their price can go up or down.

Credit rating: Credit ratings measure a borrower's creditworthiness and provide an international framework for comparing the credit quality of issuers and rated debt securities. Some of the most well-known credit rating agencies are Fitch, Standard & Poor's and Moody's. Ratings are divided into two broad groups – i.e. investment grade and speculative grade (also known as junk or sub-investment grade).

Credit spreads: Reflect the difference in yield between corporate and government bonds.

Cyclical sectors: Industries that are sensitive to and/or positively affected by the macroeconomic environment.

Default: If a company or individual defaults, this means they are unable to make the required payments on their debt obligations.

Derivative: A financial security that is traded between two parties and that gets its value from how an underlying investment or group of investments performs.

Distribution yield: The amount that may be expected to be distributed over the next 12 months as a percentage of the fund price as at the date of the factsheet. This is based on a snapshot of the portfolio on that day, and is not guaranteed.

Diversification: Spreading your money across different investments to help manage risk.

Dividend: The income you can earn from shares.

Duration: The sensitivity of a bond's price to interest rate changes.

Economic cycle: Economic cycles are part of the normal ebb and flow of investing. Each cycle usually has four main stages: peak, recession (when the economy is going through a downturn), trough and expansion (when the economy starts to grow again)

Emerging markets: Markets in those countries in the early stages of development, which have sufficient size and liquidity and are receptive to foreign investment. These include, but are not limited to, the following markets: Brazil, Russia, China, India, South Africa and developing European economies.

ESG: An abbreviation of Environmental, Sustainable, and Governance investing. The underlying factors of ESG facilitates sustainable investing.

Environmental: How companies approach climate change and how their operations impact the planet through things like waste, contamination and deforestation.

Ex-dividend (XD) Date: This is the date after which new investors who buy shares in the fund will not be eligible to receive the next income payment for income classes, and income reinvestment for accumulation classes.

Fixed income: Also known as Fixed Interest. A group of asset classes that involve debt, this is usually in the form of bonds where an issuer will lend money for a predefined period and these can be issued by governments or companies. These will involve a regular coupon (interest) payment and the return of capital (original amount lent) at the maturity of the bond.

Fund of funds: A fund that invests in other funds in order to reduce the risk of investing in just one fund.

Governance: Company leadership in issues including executive pay, bribery and corruption, board diversity, political lobbying and payment of taxes.

Government bonds: Bonds issued by governments. UK government bonds are known as Gilts.

Growth stocks/strategies: A stock that analysts believe have the potential to outperform certain markets for a period of time.

Hedge fund: An alternative investment fund that employs different strategies to earn active returns for their investors.

High yield bonds: Also known as sub-investment grade or junk bonds, these are bonds that are rated below investment grade, below BBB by credit rating agencies (such as Moody's and Standard & Poor's). Typically, they offer higher interest rates than investment grade bonds as they are considered to be at a higher risk of default.

Historic yield: The sum of income payments announced in the previous 12 months, divided by the fund price as at the date of the publication.

Index: A way of tracking the overall performance of a basket of individual investments of a similar type. For example, the FTSE 100 index tracks the performance of shares in the 100 largest companies by market value on the London Stock Exchange.

Inflation: Measures the increase in price of selected goods and services in an economy over a period of time.

Infrastructure: Infrastructure funds provide the opportunity to invest in essential public assets, such as toll roads, airports and rail facilities.

Investment grade: A rating that can signify a relatively low risk of default. Independent rating agencies such as Moody's and Fitch will provide this rating.

Investment grade bonds: A term used to describe borrowers or bonds that meet a certain satisfactory credit quality deemed by credit rating agencies (such as Moody's and Standard & Poor's). They carry credit ratings of BBB/Baa or above from the credit ratings agencies, who do not consider the issuers likely to default.

Investment risk: The uncertainty that goes with investing and that means investments can go down in value as well as up.

ISIN: An International Securities Identification Number (ISIN) is a 12-digit alphanumeric code that uniquely identifies a specific security.

Key Investor Information Document (KIID): The Key Investor Information Document (KIID) is a regulatory document that provides key information about each share class of each fund which is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme. It helps investors compare different funds and assess which fund meets their specific needs.

Large cap: Short for large capitalisation. These are the largest companies on a particular stock market by market value. To be considered a large cap share, the company's value (i.e. the number of outstanding shares x the stock price) needs to be above £10 Billion. For example, many companies situated in the FTSE 100 are considered large cap.

Leverage: Leverage is the use of various financial instruments or borrowed capital, such as margin, to increase the potential return of an investment.

Leverage ratios: Levels of debt.

Liquidity: Refers to the ease in which an asset or security can be sold and converted into readily available cash without a drastic change in its market price.

Mid-cap: Short for middle capitalisation. These are shares of companies that sit between large and small cap shares. To be considered a mid-cap share, the company's value (i.e. the number of outstanding shares x the stock price) needs to be between £2 Billion and £10 Billion. For example, many companies situated in the FTSE 250 are considered mid-cap.

Mixed asset (or multi asset): A mixed-asset class is an investment approach that combines asset classes, such as cash, shares, or fixed income.

Monetary policy: How a central bank controls the money supply and cost of borrowing for its country. Monetary policy can be tight or loose. Tight monetary policy is when the bank attempts to restrict the available money supply, for example by raising interest rates. Loose monetary policy is when it attempts to increase the available monetary supply, for example by lowering interest rates or quantitative easing.

Net asset value (NAV): Is the value of an investment fund that is determined by subtracting its liabilities from its assets. The fund's per-share NAV is then obtained by dividing NAV by the number of shares outstanding.

Near cash: Assets that can be quickly liquidated into cash or cash-like assets.

Net income reinvested: The returns shown in the performance tables within the Factsheets are after income has been reinvested back into the fund, after tax has been deducted. Note: This is only applicable for accumulation share classes. If you are invested in an income share class, the fund's income will be paid out to you.

Neutral Market: This means all investments (shares/bonds/alternatives) have an equal chance of going up or down.

NURS: A non-UCITS (Undertakings for Collective Investment in Transferable Securities) retail scheme.

NURS Key Investor Information document (NURS KII): The NURS KII is a regulatory document that provides key information about each share class of each fund. It helps investors compare different funds and assess which fund meets their specific needs.

Ongoing Charge Figure (OCF): Represents the total costs associated with managing and operating a fund including, management fees, trading fees, legal fees, auditor fees, custodian transaction fees, Stamp Duty Reserve tax, Authorised Corporate Director expenses and Financial Conduct Authority fees, etc.

Open-Ended Investment Companies (OEICs): An Open Ended Investment Company (OEIC) is a type of company or fund in the United Kingdom structured to invest in other companies with the ability to constantly adjust its investment criteria and fund size.

Pay date: This is the date on which the fund will pay income to eligible investors for income classes, and reinvest income for accumulation classes.

Price return performance: Returns with no income reinvested (i.e. price only).

Property: Property or real estate investment refers to land, buildings or both purchased with the intention of earning a return on the investment either through rental income, the future resale of the assets, or both.

Portfolio: A group of investments that are managed together to meet a particular objective.

Prospectus: A prospectus is a legal document required by the Financial Conduct Authority when a company makes an investment security open to the public. A prospectus helps investors make informed decisions and contains information on risks and other important details like objectives, strategies, fund management, and fees.

Private equity: An alternative asset class consisting of capital that is not listed on a public exchange. It is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of those companies from the stock market.

Quantitative easing: When a central bank adds new money to a country's money supply.

Quality Stocks/Shares: Companies with higher and more reliable profits, low debt and other measures of sustainable earnings.

Retail Prices Index (RPI): The main domestic measure of inflation in the UK. It measures the average change from month to month in the prices of goods and services purchased by most households in the United Kingdom.

Risk-off period: Where investors avoid risk and become risk averse due to uncertainty around of the future of a particular economy.

Shares (often referred to as equities or stocks): In investing, this is a share of ownership in a company. Investing in a fund gives exposure to underlying share prices without investors actually owning the shares themselves.

Social: How a company operates in its community, covering matters such as working conditions, health and safety, employee relations, human rights and modern slavery.

Small-cap: Short for small capitalisation. To be considered a small-cap share, the companies value (i.e. the number of outstanding shares x the stock price) needs to be between £300 Million and £2 Billion.

Time horizon: How long you expect to be investing for before you might need your capital back. A time horizon should usually be for a minimum of five years or more.

Total return performance: Returns with all income reinvested.

Value companies: Companies that are currently trading below what they are worth and thus could provide a better return over the long-term when other investors recognise that value.

Value-oriented strategies: Investing in companies that are perceived to be undervalued by the market.

Volatility: The extent to which the value of an investment fluctuates over time.

Underlying Yield: The annualised income (net of expenses) as a percentage of the market value of the fund as at the factsheet date. This is based on a snapshot of the portfolio on that day, and not guaranteed.