



# Glossary of Common Terms



### **Absolute Return**

The rise or fall in the value of an asset in a particular period of time, expressed as a percentage. This measure is expressed as a percentage and for time periods greater than 12 months is annualised.

### **Accumulation Shares/Units**

A share/unit class that retains any income within the share/unit class price. The income can be interest or dividends.

### **Active Management**

An approach to investing whereby capital is allocated according to the judgement of the investor or fund manager(s). The active investor aims to beat the returns from the stockmarket or specified benchmark index/sector, rather than to match them.

### **Alternative Investment Fund Manager (AIFM)**

The entity performing the investment management function and responsible for ensuring compliance with the Alternative Investment Fund Management Directive (AIFMD) regulations and is responsible for providing the legal, regulatory and risk management framework for the alternative investment funds through its oversight and governance process.

### **Annual Management Charge (AMC)**

A charge covering costs and fees that may be payable to the ACD and/or Investment Manager or Sponsor. These fees are usually (but not always) the cost of running the ACD and the investment management charges.

### **Annualised Performance**

The equivalent annual return an investor receives over a given period.

### **Asset**

Anything having commercial or exchange value that is owned by a business, institution, individual or government body.

### **Asset Allocation**

Allocating a portfolio's assets according to risk tolerance and investment goals.

### **Asset-Backed Securities**

Bonds (fixed income securities) backed by assets that produce cashflows, such as mortgage loans, credit card receivables and auto loans.

### **Asset Class**

Category of assets, such as cash, company shares, fixed income securities (bonds) and their sub-categories, as well as tangible assets such as real estate.

### **Assets Under Management (AUM)**

The total market value of the assets, including investments of a fund.

### **Authorised Corporate Director (ACD)**

In Waystone Management (UK) Limited's (WMUK) capacity as Authorised Fund Manager we act as the ACD (Authorised Corporate Director) where we are responsible for providing the legal and regulatory framework for each fund through our extensive Product Governance process, Value Assessment, Risk Monitoring and Reporting.

### **Authorised Fund Manager (AFM)**

WMUK is an independent, regulated provider of AFM services for a range of UK regulated funds.

### **Bear Market**

A bear market is a financial market experiencing prolonged price declines, generally of 20% or more. A bear market usually occurs along with widespread investor pessimism, large-scale liquidation of securities and other assets, and a weakening economy.

### **Benchmark**

Measure, such as an index or sector, against which a portfolio's performance is judged. The fund's benchmark must be disclosed in the Prospectus.

### **Benchmark – Comparator**

The fund managers choose the benchmark, which may be an index or a sector, as a comparator for the fund's performance, but they do not have to replicate its composition. The benchmark is not used for any other purpose, such as, for example, to serve as a reference when setting performance fees.

### **Benchmark – Composite**

A composite benchmark combines a number of different indices which may have different weights.

### **Benchmark – Constraint**

The portfolio must replicate the securities contained in the benchmark and their weights. The benchmark can be an index or a sector. Depending on the fund's mandate, the managers can replicate the positions directly or via derivatives, which are instruments whose value is derived from that of an underlying security or pool of securities.

### **Benchmark – Proxy**

An alternative benchmark which mimics the performance of the original benchmark.

### **Benchmark – Target**

A benchmark, such as an index or sector, which the fund managers aim to match or exceed. The managers have freedom in choosing the securities and strategy by which they do so.

### **Bond**

A loan in the form of a security, usually issued by a government or company. It normally pays a fixed rate of interest (also known as a coupon) over a given time period, at the end of which the initial amount borrowed is repaid.

### **Bottom-Up Selection**

Selecting stocks based on the attractiveness of fundamental characteristics of companies, such as earnings growth or dividends.

### **Bull Market**

A market characterised by investor optimism and confidence in continuing strong returns, in which the prices of securities are rising.

### **Capital**

Refers to the financial assets, or resources, that a company has to fund its business operations.

### **Capital at Risk**

The risk an investor faces that he or she may lose all or part of the assets invested.

### **Capital Growth**

Occurs when the current value of an investment is greater than the initial amount invested.

### **Capital Return**

The term for the gain or loss derived from an investment over a particular period. Capital return includes only capital gain or loss, and excludes income (in the form of interest or dividend payments).

### Cash Equivalents

Deposits or investments with similar characteristics to cash.

### Collective Investment Scheme (CIS)

Sometimes referred to as a 'pooled investment', it is a scheme where a fund manager will invest the pooled money in one or more types of asset, such as stocks, bonds or property.

### Consumer Prices Index (CPI)

An index used to measure inflation, or the rate at which prices for a basket of goods and services bought by households change. The contents of the basket are meant to be representative of products and services consumers typically spend money on, and are updated regularly.

### Contingent Convertible Securities (CoCos)

CoCos are debt securities that can be exchanged for company shares if certain conditions are met. They are also known as 'hybrid securities'.

### Convertible Bonds

Fixed income securities (bonds) that can be exchanged for predetermined amounts of company shares at certain times during their life.

### Corporate Bonds

Fixed income securities issued by a company. They are also known as bonds and can offer higher interest payments than bonds issued by governments as they are often considered more risky. Also referred to by investors as 'credit'.

### Coupon

The interest paid by the government or company that has raised a loan by selling bonds. It is usually a fixed amount, calculated as a percentage of the total loan and paid out at regular intervals.

### Credit

The borrowing capacity of an individual, company or government. The term is also used by investors as a synonym for fixed income securities issued by companies (corporate bonds) and for any type of loan given to a company.

### Credit Risk

Risk that a financial obligation will not be paid and a loss will result for the lender.

### Cum-Dividend

A stock is cum-dividend, which means "with dividend," when a company has declared that there will be a dividend in the future but has not yet paid it out.

### Cumulative Return

The aggregated return from an investment or fund over a specific time period.

### Custodian

A financial institution that holds customers' securities for safekeeping to prevent them from being stolen or lost.

### Debt Instrument

A formal contract that a government, a business or an individual can use to borrow money. Debt instruments outline the detailed conditions of the loan, such as the amount and schedule of payments of interest, the length of time before the principal is paid back, or any guarantees (collateral) that the borrower offers. Any type of debt can be a debt instrument – from bonds and loans to credit cards.

### Default

When a borrower does not maintain interest payments or repay the amount borrowed when due.

### Default Risk

Risk that a debtholder will not receive interest and full repayment of the loan when due.

### Depository

A depository is an independent third party that is responsible for the safekeeping of assets of an investment fund, performing the cash flow monitoring and the oversight duties of the fund.

### Derivatives

Financial instruments whose value and price depend on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or directly between two parties (over the counter).

### Developed Economy/Market

Well-established economy with a high degree of industrialisation, standard of living and security.

### Dilution Adjustment

A change to the price of a fund's shares, which is used to ensure that the costs of buying and selling the shares are borne by incoming and outgoing investors, not by ongoing investors. The dilution adjustment is made up of direct and indirect transaction costs incurred at the creation and cancellation of shares in the fund. (Also see 'Swing Pricing').

### Discrete Performance

The percentage return on an investment over specific defined time periods.

### Distribution

Distributions represent a share in the income of the fund and are paid out to Income shareholders or retained in the price for Accumulation shareholders at set times of the year (monthly, quarterly, half-yearly or annually). They may be in the form of interest distributions or dividend distributions depending on the type of assets held in the funds.

### Distribution Yield

The amount that is expected to be distributed by the fund over the next 12 months expressed as a percentage of the share price as at a certain date. It is based on the expected gross income available for distribution, less the ongoing charges where they are deducted from income.

### Dividend

A share in the profits of a company, paid out to the company's shareholders at set times of the year.

### Dividend Yield

Annual income distributed by a company as a percentage of its share price as at a certain date.

### Drawdown

The decline in price from a historical peak value of an investment. It is a measurement of the maximum amount an investor could have lost since an investment was at its highest price.

### Duration

A measure of the sensitivity of a fixed income security (bond) or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

### Duration Risk

The risk that the price of a fixed income security (bond) or bond fund will change sharply when interest rates change. The longer the duration of a bond or bond fund, the more sensitive and therefore at risk it is to changes in interest rates.

### Economies of Scale

Savings in costs which can be achieved from an increase in production. For example, when a fund grows, it may experience economies of scale through a decrease in fixed costs when the impact in pound and pence fixed cost figures becomes smaller as a percentage of the total size of the fund.

### Emerging Economy or Market

Country in the process of catching up with developed economies, with rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

### Entry Charge

This is the maximum that might be taken out of your investment before the deal is placed in your specified fund(s).

### Exit Charge

The maximum charge that might be taken from your investment once your shares/units are sold.

### Equities

Shares of ownership in a company. They offer investors participation in the company's potential profits, but also the risk of losing all their investment if the company goes bankrupt.

### Exchange Traded

Usually refers to securities traded on an exchange, such as company shares on a stock exchange.

### Exchange-Traded Fund (ETF)

A type of fund that is traded on the stock market like ordinary shares. ETFs can be bought and sold throughout the day, like ordinary shares, whereas other types of funds are priced once a day only.

### Ex-Dividend, Ex-Distribution or XD Date

The date on which declared distributions officially belong to underlying investors. On the XD date, the stock's price usually falls by the amount of the dividend, reflecting the payout.

### Exposure

The proportion of a fund invested in a particular share/fixed income security/index, sector/region, usually expressed as a percentage of the overall fund.

### Financial Conduct Authority (FCA)

The body which regulates the financial services industry in the UK. Its role includes protecting consumers, keeping the industry stable and promoting healthy competition between financial service providers.

### Fixed Income Security

A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Also referred to as a bond.

### Floating-Rate Note (FRN)

A floating-rate note (FRN) is a debt instrument with a variable interest rate. The interest rate for an FRN is tied to a benchmark rate.

### Foreign Exchange

The conversion of one currency into another currency. Foreign exchange also refers to the global market where currencies are traded virtually around the clock. The term 'foreign exchange' is usually abbreviated as 'forex' and occasionally as 'FX'.

### Forward Contract

A contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Forward contracts are customised and do not trade on public exchanges, but directly between interested parties (over the counter).

### Fundamentals – Company

A basic principle, rule, law, or the like, that serves as the groundwork of a system. A company's fundamentals pertain specifically to that company, and are factors such as its business model, earnings, balance sheet and debt.

### Fundamentals – Economic

A basic principle, rule, law, or the like, that serves as the groundwork of a system. Economic fundamentals are factors such as inflation, employment, economic growth.

### Fund Administrator

The entity responsible for maintaining accurate records of a fund's transactions, holdings, and performance. They also prepare regulatory filings and provide other compliance-related support.

### Futures

A futures contract is a contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Futures contracts are standardised and trade on regulated exchanges.

### Gilts

Fixed income securities issued by the UK Government. They are called gilts because they used to be issued on gilt-edged paper.

### Government Bonds

Loans issued in the form of fixed income securities by governments. They normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

### Hedging

A method of reducing unnecessary or unintended risk.

### High Net Worth Individual

A person or family with liquid assets above a certain figure.

### High Water Mark (HWM)

The highest level that a fund's NAV (net asset value) has reached at the end of any 12-month accounting period. The fund can usually charge a performance fee once its NAV exceeds this level.

### High Yield Bonds

Loans taken out in the form of fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better-quality, higher-rated fixed income securities, but they have the potential for higher rewards. Default means that a bond issuer is unable to meet interest payments or repay the initial amount borrowed at the end of a security's life.

### Historic Yield

The historic yield reflects distributions declared over the past 12 months as a percentage of the share price as at the date shown.

### Idiosyncratic Risk

A type of risk that can have a negative impact on a specific asset as opposed to the entire market.

### Income

Money paid out by an investment. Dividends are income from shares. Income from bonds is called interest or coupon.

### Income Shares/Units

A type of share/unit where income is paid out as cash on the payment date. The income can be interest or dividends.

### Income Yield

Refers to the income received from an investment. Usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

## Index

An index represents a particular market or a portion of it, serving as a performance indicator for that market or segment.

## Index Tracking

A fund management strategy that aims to replicate the holdings and the performance of a particular index. It is known as a passive investing strategy.

## Index-Linked Bonds

Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

## Inflation

The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with that of the same month a year earlier.

## Institutional Investor

An entity that trades for others, usually in large quantities.

## Institutional Mandate

Legal agreement between two parties such as a fund manager and a financial institution which outlines how a client fund will be managed.

## Intermediary

An individual or organisation which acts as a link between the investor and the fund: for example, a financial adviser or platform.

## Investment Association (IA)

The UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

## Investment Association (IA) Sector Median

The Investment Association (IA) classifies funds under different sectors according to their investment strategy. The median is the middle point of a set of data. The IA sector median for costs is calculated by ordering the OCF of all funds in a sector from lowest to highest and taking the middle OCF.

## Investment Grade Bonds

Fixed income securities issued by a government or company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk of default than those issued by issuers with lower credit ratings. Default means that a borrower is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

## Investment Manager Delegate (IMD)

The company or individual to whom the ACD delegates the responsibility for deciding how to invest the money in the fund's assets.

## Investment Objective

A high level description outlining the aim of the fund, for example "to achieve capital growth and income over the long term".

## Investment Trust

A form of closed-ended fund traded on the public markets. The number of shares in issue is fixed and the share price fluctuates either above or below the book value of the underlying assets.

## Issuer

An entity that sells securities such as fixed income securities and company shares.

## Key Performance Indicator (KPI)

Quantifiable measures used to assess the performance of a process.

## Leverage

When referring to a company, leverage is the level of a company's debt in relation to its assets. A company with significantly more debt than capital is considered to be leveraged. It can also refer to a fund that borrows money or uses derivatives to magnify an investment position.

## Liquidity

Refers to the ease of turning assets into cash when needed. A company's shares are considered highly liquid if they can be easily bought or sold, since they are regularly traded in high numbers.

## Long Position

Holding a security in the expectation that its value will rise.

## Maturity

The length of time until the initial amount invested in a fixed income security is due to be repaid to the holder of the security.

## Money Market Instruments

Debt due to be repaid within a year, in the form of securities that are bought and sold by institutional investors such as banks, pension funds, asset managers, etc. Individual investors need to go through an intermediary such as a bank or asset manager to invest in these instruments.

## Morningstar

A provider of independent investment research, including performance statistics and independent fund ratings.

## Near Cash

Deposits or investments with similar characteristics to cash.

## Net Asset Value (NAV)

The current value of the fund's assets minus its liabilities.

## Ongoing Charges Figure (OCF)

Ongoing charges are those expenses which are likely to recur in the foreseeable future, and which relate to the operation of the fund, excluding the costs of buying or selling of investments and financing charges. They can be charged to capital and/or income. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs. The OCF is expressed as a percentage.

## Ongoing Charges Figure (OCF) – Capped

This is where the OCF of the fund is capped at a certain figure. If costs are higher than the figure, the Investment Manager will pay these fees. However, if the funds expenses are lower than this figure, the OCF will reflect the actual figure.

## Ongoing Charges Figure (OCF) – Fixed

This is where the OCF of the fund is set at a specific level and cannot decrease or increase. Should the expenses go above this point, they will be covered by the Investment Manager.

## Ongoing Charges (OCF) – Property Expense Ratio (PER)

There are costs related to running and maintaining property funds that are not covered as part of the Ongoing Charges Figure (OCF). These additional costs are grouped together and expressed as a percentage of the fund value to form the Property Expense Ratio (PER).

### Open-Ended Investment Company (OEIC)

A type of managed fund whose value is directly linked to the value of the fund's underlying investments. The fund creates or cancels shares depending on whether investors want to redeem or purchase them.

### Options

Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

### Over-the-Counter (OTC)

Whereby financial assets are traded directly between two parties, rather than carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

### Overweight

If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the benchmark index or sector.

### Passive Management

An approach to investing whereby capital is allocated according to the stock or sector weightings of an index. Passive management is also referred to as 'indexing' or 'tracking'.

### Passive Manager

A fund manager who takes a passive approach to investing. The passive investor aims to match the returns from the stockmarket or specified index/sector, rather than to beat them.

### Payment Date

The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

### Performance

The profit or loss derived from an investment over a specified time period.

### Performance Fees

These are payments made to an investment manager for generating positive returns and will be triggered if a fund meets its performance targets. This is as opposed to a management fee, which is charged without regard to returns.

### Platform Investor

An investor who utilises an online service that makes products available from more than one provider.

### Primary Share Class

The highest charging unbundled – free of any rebates or intermediary commission – share class freely available through third-party distributors in the retail market.

### Private Placement

An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

### Real Return

The return on an investment, adjusted for changes in prices in an economy (inflation).

### Recommended Holding Period (RHP)

Recommended minimum period for which an investment should be held.

### Relative Return

The return of an asset in a given period compared with that of a particular benchmark. It is expressed as the difference between the asset's percentage return and that of the benchmark, and it is also known as alpha.

### Retail Investor

An individual who purchases shares for their own personal account rather than for an organisation. They also typically trade in much smaller quantities.

### Retail Prices Index (RPI)

A UK inflation index that measures the rate of change of prices for a basket of goods and services in the UK, including mortgage payments and council tax.

### Risk

The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

### Risk Management

The activities the fund manager undertakes to limit the risk of a loss in a fund.

### Risk/Reward Ratio

A ratio comparing the expected returns of an investment with the amount of risk undertaken.

### Sector

A group of funds with similar investment objectives and/or types of investment, as classified by bodies such as the Investment Association (IA) or Morningstar. Sector definitions are mostly based on the main assets a fund should invest in and may also have a geographic focus. Sectors can be the basis for comparing the different characteristics of similar funds, such as their performance or charging structure.

### Security

Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

### Share/Unit

An ownership stake in a company, usually in the form of a security. Also called equity. Shares/units offer investors participation in the company's potential profits, but also the risk of losing all their investment if the company goes bankrupt.

### Share/Unit Class

Type of fund shares/units held by investors in a fund (share/unit classes differ by levels of charge and/or by other features such as currency hedging and minimum investment levels). Details on charges and minimum investments can be found in the fund Prospectus.

### Share/Unit Class – Clean

A share/unit class without any rebates or commission included in its Ongoing Charges Figure.

### Share Class Hedging

Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

### Short Position

A trading technique where a security is sold with plans to buy it back later. This is usually done with a view that a security may fall in value at a later date.

### Short Selling

The practice whereby market participants sell assets they do not own after borrowing them in exchange for a fee from someone who does own them. The short-seller must eventually return the borrowed asset by buying it in the open market. If the asset price has fallen, the short-seller buys it for less than they sold it for, thus making a profit. However, the contrary may also occur.

### Slippage

Slippage is calculated as the difference between the mid-market price of an asset at the time the order is placed in the market also known as the "Arrival Price" and the price at which the deal is struck, the "Execution Price".

### Sovereign Debt

Government debt. Also referred to as government bonds.

### Standard Deviation

A statistical measure of dispersion of a set of data from its mean, indicating the spread of a fund's returns over a certain period of time.

### Swap

A swap is a derivative contract where two parties agree to exchange separate streams of cashflows. A common type of swap is an interest rate swap, where one party swaps cashflows based on variable interest rates for those based on a fixed interest rate, to hedge against interest rate risk.

### Swing Pricing

Swing pricing is a method of protecting ongoing shareholders in the fund from bearing the costs incurred by investors transacting with the fund on a day-to-day basis. When investors buy or sell shares in the fund, the fund manager has to buy or sell underlying securities to either invest the cash obtained from investors, or to provide them with cash in exchange for their shares. Swing pricing essentially adjusts the fund shares' daily price to take into account the costs of buying or selling the underlying securities held by the fund. This ensures that transaction costs such as brokerage fees, tax and administrative charges are borne by those investors who trade shares in the fund, not by those who remain invested in the fund.

### Synthetic Costs

Fees paid (i.e. management fees) to other funds and/or eligible investment trusts which the fund invests in.

### Synthetic Costs – Closed-Ended

The aggregate figure of the charges incurred by the fund as a result of investing in closed-ended Collective Investment Schemes.

### Synthetic Costs – Open-Ended

The aggregate figure of the charges incurred by the fund as a result of investing in open-ended Collective Investment Schemes (CIS).

### Synthetic Fee

Fees that the Investment Manager pays to a third party to manage the assets of a fund.

### Systematic Risk

Risk inherent to the entire market and cannot be diversified. Examples include inflation and changes in interest rates.

### Top-Down Investing

An investment approach that analyses economic factors, ie surveys the 'big picture', before selecting which companies to invest in. The top-down investor will look at things like economic growth, inflation and the business cycle to pick stocks.

### Total Return

The gain or loss derived from an investment over a particular period, including income and price appreciation in that period. Income can be in the form of interest for bonds or dividend payments for shares.

### Trading Suspension

Temporarily halting the trading of a listed security on the stock exchange. It can be voluntary (requested by the issuing company) or imposed by regulators. Typically, trading suspensions are introduced ahead of important news announcements, following technical glitches, or due to regulatory concerns.

### Transaction Cost

This includes the expenses that arise from selling or buying investments in the fund, including redemption fees, transfer fees and broker commissions.

### Transaction Costs – Explicit

These are costs charged to and paid directly by the fund to purchase and sell financial instruments. These include broker commission, transaction taxes and exchange fees.

### Transaction Costs – Implicit

They include transaction costs embedded in the bid-offer spread and the response of the market to a trade or the timing of a trade (market impact, opportunity cost, delay costs), also known as slippage.

### Treasuries

Fixed income securities issued by the US Government.

### Unconstrained

The mandate of a fund whereby the manager has the freedom to invest according to his or her own strategy, rather than being obliged to allocate capital according to the weightings of an index that the fund seeks to beat or track.

### Underlying Yield

The annualised income net of expenses of the fund calculated in accordance with relevant accounting standards and expressed as a percentage of the share price as at a certain date.

### Underweight

Holding a smaller proportion of a stock than the benchmark index or sector.

### Unit Trust

A type of managed fund whose value is directly linked to the value of the fund's underlying investments and which is structured as a trust, rather than as a company.

### Valuation

The worth of an asset or company, based on the present value of the cashflows it will generate.

### Volatile

When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

### Volatility

The degree to which the price of a given security, fund, or index changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

### Yield

This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.

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