Accumulating Share Class

A type of share where distributions are automatically reinvested and reflected in the value of the shares.

Active Management

An investing approach where capital is allocated based on the judgment of the fund manager(s) or investor. The aim of the active investor is to beat the returns of the market or particular benchmark sector/index, as opposed to just matching them.

Benchmark

A benchmark is a measure against which a portfolio's performance is judged. Benchmarks may be based on, for example, a particular index or sector.

Bond Ratings

Assess the likelihood that a company may default on a bond it issues. Various ratings companies offer their own rating systems such as Fitch, Moody´s and Standard & Poor´s. Bond ratings from AAA to BBB- are considered to be ´investment grade´ while BB+ and below are regarded as ´speculative grade´.

Bonds

Bonds are an example of a debt instrument. They are units of debt issued by companies or governments and are securitised as tradeable assets.

Bottom-up Investment Selection

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

Cash Equivalents

Investments or deposits with similar traits to cash.

Convertible Bond

Convertible bonds are debt obligations a company issues that generally pay a coupon and have a final maturity date. An embedded option means they can also convert into shares of a stock.

Counterparty Risk

Counterparty risk is the likelihood that a party involved in a transaction may default on its contractual obligation. Counterparty risk may exist in investment, credit and trading transactions.

Debt Instruments

Debt instruments are a tool used by a variety of entities with the aim of raising capital. They are fixed-income assets that legally oblige the debtor to provide principal payments to the lender, and usually with interest. Debt instrument examples include government or corporate bonds, and mortgages.

Derivatives

Derivatives are financial instruments whose value and price are based on one or more underlying assets. Derivatives may be utilised to help shield against, or increase exposure to expected changes in the value of the underlying assets. Derivatives may be traded both on a regulated exchange, or even between two parties directly (referred to as 'over the counter').

Distributing Share Class

A distribution usually means the disbursement of assets from an account, fund, or individual security to an investor. Distributions from a mutual fund are usually comprised of net capital gains made from profitable sales of portfolio assets, combined with interest and dividend income earned by those assets.

Dividend Yield

Shows how much a company pays out in dividends each year relative to its stock price.

Equities

Equities are 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

Entry Charge

One off charge paid on subscription.

Emerging Market

An emerging economy or market country in the process of catching up with more mature markets, with rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

Exit charge

One off charge paid on redemption.

Frontier Market

A frontier market is an investable stock market that is less developed than the emerging markets.

Hedging

Hedging is a method of reducing unnecessary or unintended risk.

(PRIIPS) Key Information Document ('KID')

A KID is a three-page pre-sale disclosure document required by PRIIPS Regulation. The aim of the document is to help investors understand the characteristics and risks of the fund, and ultimately make a more informed investment decision.

(UCITS) Key Investor Information Document ('KIID')

The Key Investor Information Document, or KIID, is a two-page document required by the European Commission for all UCITS investment funds, for the purpose of distribution across countries in the European Union. The aim of the document is to help investors understand the characteristics and risks of the fund, and ultimately make a more informed investment decision.

Macroeconomic

Refers to the overall behaviour and performance of an economy, perhaps at the regional or national level. Economy-wide factors such as GDP, inflation or unemployment are known as macroeconomic factors and are considered key indicators of an economy's performance. Note that the term is sometimes abbreviated to 'macro'.

Net Asset Value (NAV)

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

OEIC

An Open-Ended Investment Company, or OEIC, is a managed fund or collective investment scheme, in which multiple investors' money is pooled together, towards the purchase of investments in a range of different assets, based on the criteria of the particular managed fund. OEICs are domiciled in the UK but do not trade on the London Stock Exchange.

Ongoing Charges

The ongoing charge refers to the cost an investor can reasonably expect to pay on a year-to-year basis, under usual circumstances. The ongoing charge comprises the fund's management, professional, audit and custody fees.

Options

Options are a form of derivative based on the value of underlying securities, e.g. stocks. An options contract gives the buyer the opportunity to buy or sell the underlying asset (depending on the type of contract they hold).

Outperform

'Outperform' can refer to two things. In financial media, analysts may use the term to rate a stock they believe will produce higher returns (in the foreseeable future) than the major market indexes. The term can also be used to describe how the returns of one investment compare to another; the investment with higher returns may be said to outperform the investment with lower returns. Comparisons are also often made between a fund and its benchmark.

Performance Fee

A performance fee is a form of payment awarded to fund managers if certain performance levels are achieved in a set duration of time. It often refers to a fund generating returns beyond the investment objective. Performance fees in funds are relatively rare and are generally found in hedge funds or off-shore funds.

Price-to-earnings Ratio

The Price Earnings Ratio, or P/E Ratio, is the relationship between a company's share price and its earnings per share (EPS). The P/E ratio reflects the market's expectations and is the price one must pay per unit of current earnings (or future earnings, depending on the case). The ratio is widely used as it provides investors with a better sense a company's value.

Prospectus

A prospectus is a formal document that contains details about an investment offering to the public.

Return on Equity

Return on Equity, or ROE, is defined as a company's net income relative to the value of its shareholders' equity. It is a measure of financial performance and illustrates the company's efficiency at generating profits from shareholder investments.

Risk/reward Ratio

Risk/reward is a ratio comparing the anticipated returns of an investment with the amount of risk taken on.

SRI

SRI, or Socially Responsible Investment, is an approach that not only considers the financial returns from an investment, but additionally its impact on an environmental, social or ethical level.

SRRI

The SRRI is an indicator to denote the level of risk of a UCITS fund; funds are labelled with a number from 1 to 7, with 1 representing low risk and 7 representing high risk.

UCITS

The acronym 'UCITS' stands for Undertakings for Collective Investments in Transferable Securities. This is the EU's regulatory framework for an investment vehicle that can be marketed across EU countries, and it is designed to enhance the single market in financial assets while preserving high levels of investor protection.

Umbrella Fund

An umbrella fund is a collective investment scheme which acts as a single legal entity but comprises multiple distinct sub-funds which are, in effect, traded as individual investment funds.

Underperform

'Underperform' can refer to two things. In financial media, analysts may use the term to rate a stock they believe will produce lower returns (in the foreseeable future) than the major market indexes. The term can also be used to describe how the returns of one investment compare to another; the investment with lower returns may be said to underperform the investment with higher returns. Comparisons are also often made between a fund and its benchmark.

Share Class

Share classes are types of fund shares held by different types of investors in a fund; share classes may differ by amounts of charges and/or by other characteristics such as hedging against currency risk. Each Redwheel fund has its different share classes e.g. A, R and I. Each has different charges and minimum investment thresholds. Key Investor Information Documents contain details on charges and minimum investments.

Top-down Investing

An approach that analyses economic factors, i.e. 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.

Yield (income)

Yield is the income received from an investment and is generally expressed in annual terms as a percentage based on the cost of the investment, its present market value, or its face value.