

## Glossary

This glossary is for information purposes only. If any reference is made to law or taxation, it should not be relied upon as providing a current definitive guide. Law and taxation are subject to change.

### A

<b>A-Day</b>	6 April 2006. The effective date of pensions simplification, when HMRC introduced a single tax regime for all UK pension schemes.
<b>ABI</b>	These are a series of sector groupings defined by the Association of British Insurers for all UK life company funds that it covers to ensure that all funds are grouped with similar funds for comparison purposes.
<b>Accumulation Date</b>	The date when income will be paid by a Unit Trust. This income is reinvested back into the Unit Trust increasing the value of the units instead of being paid out to the investor.
<b>Accumulation Units</b>	These units reinvest the income a Unit Trust earns, instead of paying it out to investors as an income. Unit holders or Policyholders get the benefit through the increased value of the fund.
<b>ACD</b>	See Authorised Corporate Director
<b>Active Management</b>	A traditional investment approach where fund managers actively build and change a portfolio of assets (e.g. stocks and shares) in order to take advantage of the best opportunities in the stock market.
<b>Active Market</b>	A market in which the volume of securities traded is heavy or above normal.
<b>Active Position</b>	The difference between the actual level of investment made in a particular asset class and the benchmark level of investment in that asset class.
<b>Actuary</b>	A professional person qualified to make calculations and valuations in respect of pension funds, insurance funds or other forms of investment. Actuaries apply mathematical, statistical, economic and financial analysis to a particular emphasis on longer-term financial assessment of risk or uncertain financial outcomes.

<b>Aggressive portfolio</b>	A portfolio which is designed to provide above-average returns by taking above-average risk. Typically, such portfolios have a relatively high exposure to equity investments.
<b>Allocation Rate</b>	The percentage of the customer's money that is actually invested in the policy after any initial charges have been taken out
<b>Alpha</b>	Alpha is a coefficient that measures the risk-adjusted performance, or the excess return, considering the risk due to the specific fund and its underlying investments, rather than the overall market. A high alpha indicates that the fund has performed better than would be predicted given its beta (volatility).
<b>Alternative Investment Market (AIM)</b>	A list of young and growing companies that do not meet the requirements of the London Stock Exchange listing.
<b>AMC</b>	See Annual Management Charge.
<b>American Option</b>	An option which may be exercised any time between its initiation and expiration dates (inclusive).
<b>Annual Allowance (AA)</b>	The maximum pension input (earned in a defined benefit scheme and contributions paid into a defined contribution scheme) a pension scheme member is allowed each year without giving rise to a tax charge.  The annual rate of return earned on an investment which includes any growth, for example:
<b>Annual Compound Return</b>	<ol style="list-style-type: none"> <li>1. Investment of £100 grows by 5% in the first year</li> <li>2. You then have £105 at the start of year 2, this then grows by a further 3%, so at the beginning of year 3 the investment is worth £108.15. This is the effect of compounding.</li> <li>3. So a growth of £8.15 on £100 over 2 years is actually an annual compound return of 4% per year, not 8.15% divided by 2.</li> </ol>
<b>Annual Exemption (for Capital Gains Tax)</b>	Each tax-paying individual in the UK is entitled to an annual exemption on capital gains each year. This means that they can make this level of gains (on for instance Share sales) without paying Capital Gains Tax.

<b>Annualising</b>	The expression of a rate of return over periods other than a year converted to annual terms. For example, if an investment earned minus 2% in year one and 23.5% in year two, the compound annual return would be 10%.
<b>Annual Management Charge (AMC)</b>	A charge made each year by managers of Unit Trusts, OEICs or Investment Trusts to cover the expenses associated with running the fund. Although it is expressed in annual percentage figures it is usually split into 12 monthly amounts and taken from the fund monthly.
<b>Annuity</b>	An arrangement under which periodic payments are made to a person in return for the investment of a lump sum, usually for the purpose of providing retirement income.
<b>Annuity Rate</b>	The percentage rate used to calculate the amount of income payable, following investment of a lump sum in an Annuity.
<b>Arbitrage</b>	Taking advantage of countervailing prices in different markets – e.g. the purchase of an asset for a low price in one market and its sale for a higher price in another.
<b>Asset Allocation</b>	The percentage split of an investment portfolio among different asset classes (shares, bonds, property, cash etc).
<b>Asset Classes</b>	The different types of assets available to investors. For example, equities, cash, fixed interest or property.
<b>Assets</b>	Items that are owned by an individual such as property and investments etc. Money in a bank or building society account is known as liquid assets.
<b>Assignment</b>	The transfer of ownership to another party.
<b>At a Premium</b>	A security is said to be selling at a premium when its market price is above its par value.
<b>Attribution Analysis</b>	The process by which the return on an investment portfolio is attributed to its manager's investment decisions. Typically, the decisions in respect of which performance is attributed are stock selection, asset allocation and market timing.
<b>Authorised Corporate Director</b>	An Authorised Corporate Director (ACD) is responsible for operating the ICVC company in accordance with the regulations and the ICVC's instrument of incorporation.

<b>AVC</b>	Additional Voluntary Contributions – Non compulsory payments made by a member of an employer’s pension scheme who wants to boost their retirement benefits.
<b>B</b>	
<b>Balanced Fund</b>	An investment portfolio which diversifies its holdings over a range of asset classes which typically include shares, fixed interest, property and cash.
<b>Balanced Manager</b>	An investment manager whose expertise includes asset allocation and the supervision of portfolios containing a variety of classes of investment (as distinct from expertise in managing a particular asset class – see Specialist Manager).
<b>BARRA</b>	Software programs developed by the international investment consulting firm Barra International used to evaluate risk profile, chiefly in equity investments.
<b>Base Rate</b>	An interest rate set by the Bank of England which reflects the cost of borrowing money from the money markets.
<b>Basic Rate Tax</b>	The rate of tax applied to your income after you have earned above your personal tax free allowance.
<b>Basic Rate Pension</b>	The flat rate (not earnings-related) State pension paid to all who have met the minimum National Insurance requirements. The amount is increased if the recipient is married or in a civil partnership and the widow(er)/civil partner may be able to claim based on the record of the deceased.
<b>Basis Point</b>	A measurement of fluctuation of an investment, equal to 1/100 of one percent.
<b>Bear</b>	Someone who believes the market will decline (As opposed to Bull).
<b>Bearer Bond</b>	A bond payable to its holder (bearer).
<b>Bear Market</b>	A market in which prices decline sharply against a background of widespread pessimism.
<b>Benchmark</b>	An index or other market measurement which is used by a fund manager as a yardstick to assess the risk and performance of a portfolio.
<b>Beneficiary</b>	This is someone who benefits from a will, a trust, a pension fund or a life insurance policy.

**Best Advice**

A requirement of the Financial Services Authority that a Financial Adviser, whether independent or tied to a single product provider, must provide best advice regarding the most suitable product, having first established a full understanding of the financial background. An additional requirement is that commissions received on products sold should not influence recommendations.

**Beta**

Beta is a quantitative measure of the volatility of a fund or portfolio, relative to the overall market. A beta above 1 shows that a fund is more volatile than the overall market, while a beta below 1 represents a fund which is less volatile.

**Bid Offer Spread**

This is a form of charging whereby the price that units are bought and sold at are different. The price of units which a customer can buy is higher than the price at which they can sell the same units.

**Bid to Bid**

Performance of funds is often quoted on this basis as it more accurately reflects the performance of the underlying assets, although not necessarily the return that the individual would have seen due to initial commissions (if any).

**Block**

A large holding or transaction of shares. Also known as a block trade.

**Blue Chip**

Referring to the shares of a leading company which is known for excellent management and a strong financial structure. The term has become a generic one for quality securities.

**Bond**

Interest bearing securities which entitle the holder to interest during their life and repayment of the loan at maturity. They can be issued by companies or governments. Not to be confused with an Investment Bond.

**Bond Fund Volatility Ratings**

The Bond Fund Volatility Ratings are S & P's current opinion of a fixed income fund's sensitivity to changing market conditions relative to the risk of a portfolio composed of government securities and denominated in the base currency of the fund. The ratings range from S1 to S6 with S1 funds possessing the lowest sensitivity to changing market conditions and S6 rated funds, the highest.

**Bond Ratings**

A system for measuring the relative credit worthiness of bond issues using rating symbols, which range from the highest investment quality (least investment risk) to the lowest investment quality (greatest risk).

**Bonus Shares**

Shares issued free by a corporation to its existing shareholders on a pro rata entitlement basis.

<b>Books Closing Date</b>	The date a share registry is closed off after the declaration of a dividend, for the determining of the amount to be paid to each shareholder.
<b>Book Value</b>	The net value at which an asset or security is carried on a balance sheet. In portfolio accounting, book value generally refers to the price paid for the security, as opposed to its current worth or market value.
<b>Bottom Up Analysis</b>	The search for outstanding performance of individual stocks before considering the impact of economic trends. The companies may be identified from research reports, stock screens etc. (As opposed to Top-Down Analysis).
<b>Broker</b>	An agent who handles investors' orders to buy and sell securities, commodities, insurance policies or other property. For this service, a commission is charged which, depending upon the broker and the amount of the transaction, may or may not be negotiated.
<b>Brokerage</b>	A fee charged by a broker for the execution of a transaction; or alternatively an amount per transaction or a percentage of the total value of the transaction. Sometimes also referred to as a commission or fee.
<b>Bull</b>	One who believes the market will rise (As opposed to Bear).
<b>Bull Market</b>	An advancing market (As opposed to Bear Market).
<b>Bundled</b>	Referring to the incorporation of a number of services or features into a single product. For example, a bundled pension scheme contract might combine the various activities of investment management, insurance, trusteeship and administration into a single service; whereas an unbundled arrangement would see these activities being conducted by a range of different parties.
<b>Buoyant market</b>	A market in which prices have a tendency to rise easily with a considerable show of strength.
<b>Business Cycle</b>	An irregular but recurring period of indeterminate scope and origin embracing expansion, prosperity, recession and recovery (also known as an economic cycle). (Opposed to Bull Market). Bear markets are generally shorter in duration than bull markets.

**Buying(Offer) Price** The price at which you can buy units in a Unit Trust or life fund.

## C

**Call Option** An option which gives its holder the right but not the obligation to purchase an asset at a predetermined date (maturity date) for a predetermined price (exercise price). See also Put Option.

**Cancellation Period** The period after signing a contract for some financial products during which you are entitled to cancel and receive your money back without penalty. For single payments you might get back less if the value has fallen.

**Cap** A ceiling or maximum rate of interest under a loan.

**Capital** The amount you invest in any type of savings or investment product.

**Capital Asset Pricing Model (CAPM)** Sophisticated model of the relationship between expected risk and expected return. The model is grounded in the theory that investors demand higher returns for higher risks. It says that the return on an asset or a security is equal to the risk free return (such as the return on a short-term Treasury security) plus a risk premium.

**Capital Charge** When a Unit Trust Manager takes the management charges out of the fund's capital instead of the income it has produced.

**Capital Gains Tax** You may have to pay capital gains tax on any profits over a set allowance when you sell assets such as shares or property. You are allowed to make gains up to a certain amount each tax year which are exempt from tax. Everyone has their own allowance so couples can make gains before they have to pay the tax. If your profits come to more than your allowance you only have to pay tax on the excess over the tax free limit.

**Capital Growth/Gain** Some gains you make are exempt from capital gains tax. These include gains from the sale of your car, Personal Equity Plans and Individual Savings Accounts. Also, you do not have to pay capital gains tax when you sell your home provided certain conditions are met.

**Capital Growth/Gain** The amount you receive in addition to the capital you've invested when you cash in your investment.

<b>Capital Guaranteed</b>	Referring to an investment product, normally offered by a life insurance company, which includes some form of guaranteed return of capital.
<b>Capitalisation</b>	The sum of the total amount of various securities issued by a corporation, multiplied by the price of those securities. Similarly, the capitalisation of the share market is the sum of the value of listed shares.
<b>Capital Markets</b>	The markets for medium to long term investments, i.e. 3 years and over, in securities such as shares and bonds, as distinct from the shorter term money market.
<b>Capital Protected</b>	Referring to a type of investment portfolio which is managed in such a way as to reduce or eliminate the risk of capital losses, usually through the use of quantitative techniques such as protection overlays. See also Capital Guaranteed.
<b>Capital Redemption Bond</b>	A Capital Redemption Bond is a policy of assurance that will mature after a certain period of time with a minimum maturity value being calculated on an actuarial basis. Such a bond usually offers access to many open-ended funds and investment is tax efficient.
<b>Collective Redemption Bond</b>	The Collective Redemption Bond is an offshore based single premium redemption contract. A redemption contract has no life cover and therefore does not end on the death of the policyholder and can be passed to future generations. The bond offers access to almost all open-ended funds on the Skandia platform and investment is tax efficient because of the offshore structure, though withholding tax may be payable on certain dividend income in its country of origin.
<b>CAPM</b>	Abbreviation for Capital Asset Pricing Model.
<b>Carry Back</b>	A member can sometimes transfer pension contributions to an earlier tax year for tax relief purposes. This is called carry back. The carry back rules no longer apply after 31 January 2002.
<b>Cash</b>	Generally, coin and note currency of a country in circulation and deposited in cheque accounts and other deposits that are available on short notice. One of the asset classes invested in as part of a typical balanced investment portfolio.
<b>Cash Equivalents</b>	Short-term investments held in lieu of cash and readily converted into cash within a short time span (i.e. bank bills, Treasury Notes etc), generally with maturities of no longer than 180 days.

<b>Cash-in Value</b>	The amount you might get if you cash in an investment.
<b>CAT Standards</b>	CAT stands for Charges, Access, and Terms. CAT standards were introduced by the Government on ISAs in order to help consumers choose financial products. However it is important to remember that CAT standards are not a Government guarantee and that they are not necessarily the best option for an individual consumer.
<b>Certificate of Deposit</b>	A written certificate by a bank or financial institution stating that a fixed amount has been deposited with it for a fixed period of time at a predetermined rate of interest.
<b>Certificates</b>	A document showing details of units held within a Unit Trust or Shares or Bonds.
<b>Chartist</b>	Technical analyst who charts the patterns of stocks, bonds and commodities to make buy and sell recommendations to clients. Chartists believe recurring patterns of trading can help them forecast future price movements. See also Technical Analysis.
<b>Chinese Wall</b>	An imaginary “wall” comprising procedures and policies adopted to avoid conflicts of interest within an organisation (e.g. to separate the stockbroking and investment management operations of a financial services group).
<b>Churning</b>	The practice of acquiring a holding of shares and then placing both buying and selling order for those shares (usually at about the same price or slightly higher) in order to build up turnover.
<b>Citywire Ratings</b>	The Citywire Ratings provide a totally objective statistical gauge of the individual fund manager’s risk adjusted performance. Citywire considers all managers who run actively managed retail funds within 24 IMA sectors and assigns AAA, AA or A Ratings to managers who achieve or exceed demanding performance thresholds based on their 36 month risk records.
<b>Civil Partner</b>	Those in a same sex relationship who have entered into a Civil Partnership in accordance with the Civil Partnership Act 2004.
<b>Closed End Fund</b>	A pooled fund that has a fixed number of shares usually listed on a major stock exchange. Unlike open-end mutual funds, closed end funds do not stand ready to issue or redeem shares on a continuous basis.

<b>Closed funds</b>	Funds which are no longer accepting new investments, but where the fund is still invested and managed in the usual manner.
<b>Closing Price</b>	The price at which the final transaction in a security took place on a particular business day. Share prices are quoted daily in the financial pages of leading newspapers and show opening, high, low and last sale (closing) prices, plus net change from the previous day.
<b>Collar</b>	Referring to a loan facility in which both maximum and minimum interest rates are specified. The maximum acts as a cap while the minimum rate is a floor below which the interest rate will not be allowed to fall.
<b>Collective Investments</b>	Funds which take money from a number of private investors and pool it together in one fund. This method of investment enables investors to invest in a larger number of investments than would otherwise be the case and therefore spreads their risk. Examples are: Unit Trusts and OEICS.
<b>Combined Pension Forecast (CPF)</b>	A statement that shows both estimated pension scheme and state pension benefits. Issued voluntarily by pension schemes
<b>Commodity</b>	A tradeable item that can generally be further processed and sold; for example metals, wheat, sugar, coal etc.
<b>Commission</b>	Money paid by an insurance company to a middle man (e.g. an financial adviser or direct agent) for selling a product.
<b>Compliance</b>	Procedures undertaken at regular intervals or on an on-going basis to ensure internal and external controls and regulations are complied with.
<b>Compound Interest</b>	In, for example, a deposit account, this is where interest is added to both capital and the accrued interest from time to time. The longer a customer leaves an investment the more advantage they can make of compound interest. E.g. In Year 1 a customer is paid 10% on his/her £100 investment. At the end of Year 1 this investment is worth £110. In Year 2 with compound interest taken into account the customer now earns 10% on £110, giving him/her £121 by the end of Year 2. In Year 3 they earn 10% on £121 giving a grand total of £133.10.
<b>Compulsory Purchase Annuity</b>	An annuity which must be purchased on retirement for a member of an insured pension scheme.

<b>Contract</b>	An agreement between individuals, companies or other entities, which binds each party and is legally enforceable.
<b>Contract Note</b>	A contract note is evidence that you've bought or sold shares or funds. It is an important legal document given that certificates are rarely physically issued these days.
<b>Contracted Out (Ceased in April 2012)/In</b>	A pension scheme is contracted out when it provides benefits in place of State Second Pension. You can contract out if you are in an Occupational Pension Scheme that is contracted out or have elected to contract out via a Personal Pension Plan or a Stakeholder Pension Plan. Contracting-out via any kind of defined contribution pension plan ceased after April 2012.
<b>Contracting Out of State Second Pension</b>	Redirecting some or all National Insurance contributions that fund a State Second Pension into another pension scheme.
<b>Contribution</b>	An amount of money placed into a fund. In relation to pension funds, contributions may be made by either employers or employees or both.
<b>Contributory Pension</b>	An occupational pension scheme where the employee contributes a proportion of their salary in addition to a contribution made by the employer.
<b>Controlling Director</b>	This is a director who owns or controls 20% or more of the voting capital of a company either directly or indirectly. This 20% includes shares held by the director's family and associates.
<b>Commingled Fund</b>	The collective investment of the assets of a number of small funds, sometimes through a master fund arrangement, allowing for broader and more efficient investing.
<b>Core Funds</b>	Core funds are often considered the essential building blocks or cornerstones of a portfolio because these funds take a "middle of the road" approach to generating returns for shareholders. Core funds are focused on producing solid long-term results while attempting to manage risk
<b>Core Portfolio</b>	A portfolio comprising (generally), the bulk of a fund's assets, which is invested in a highly controlled fashion in an attempt to secure the fund's liabilities with a reasonable degree of confidence. The balance may then be invested in a satellite portfolio(s), which may be invested more aggressively.

<b>Corporate bonds</b>	A debt security issued by a company (non-government bond) to raise capital. The company undertakes to make regular payments of interest at a fixed rate and to repay capital at a future maturity date (see debenture stock, loan stock and unsecured loan stock).
<b>Corporate Governance</b>	A generic term covering issues associated with the management practice, Board structures and personnel policies of companies. From the investor's point of view, corporate governance is normally concerned with the degree of influence which should be exerted over companies by their shareholders in order to advance their financial interest, normally through the exercising of voting rights.
<b>Corporation Tax</b>	Tax paid by companies on trading profits and capital gains.
<b>Correction</b>	A movement in prices which reverses a previous trend. The term is normally used to refer to a lowering of share prices after a sustained period of increase.
<b>Coupon</b>	The interest rate applied to the value of a Corporate Bond or Gilt.
<b>Cover Note</b>	A temporary document that can be used as evidence of insurance cover, while the actual policy and insurance certificate are being prepared.
<b>Credit Risk</b>	The risk of suffering loss due to another party defaulting on its financial obligations.
<b>Credit Scoring</b>	A test of an individual's financial status. Points are awarded on a range of criteria that include income, home ownership, debts and repayment history.
<b>Critical Illness Insurance</b>	An insurance policy that pays out a capital sum if the Life Assured is diagnosed as suffering from certain critical illnesses.
<b>Crystallisation Event</b>	An event where pension benefits become payable i.e. annuity purchase, death, starting an unsecured pension etc, and at which time a test against the lifetime allowance is carried out.
<b>Cum Dividend</b>	Referring to a share which is trading such that buyers rather than sellers qualify to receive the next dividend payment. This is usually reflected in the price of the security in question.
<b>Cumulative performance</b>	The performance of a fund's price over a given period of time.

<b>Currency</b>	A country's unit of exchange that has a value in terms of purchasing goods and services within the country.
<b>Currency Option</b>	An option contract which gives the buyer the right (but not the obligation) to buy or sell a specified amount of a foreign currency in exchange for another on or before a specified future date. Sometimes used to hedge securities held in overseas markets.
<b>Currency Overlay</b>	An investment management technique aimed at protecting an investor's overseas currency exposure by means of a dynamic hedging model.
<b>Currency Risk</b>	Risk of incurring losses in relation to the value of overseas investments as a result of movements in international exchange rates.
<b>Custodian</b>	A bank or other financial institution that keeps custody of stock certificates and other assets on behalf of clients.
<b>Custodial Charges</b>	Charges made by the bank or other financial institution that keeps custody of stock certificates and other assets on behalf of clients.
<b>Custody</b>	Possession of securities by a financial institution on behalf of others, for purposes of safekeeping.
<b>Cyclical Stocks</b>	Shares which move directly with the business cycle; generally they advance as business conditions improve and decline when business slackens.
<b>D</b>	
<b>Dealer</b>	An individual who places orders to buy or sell securities.
<b>Debenture</b>	A type of debt security backed by the general credit of the issuer and not by a specific security.
<b>Decile</b>	A statistical measure dividing a sample into ten numerically equal groups. See also Percentile and Quartile.
<b>Deed Poll</b>	This is the document you will be given if you decide to legally change your name for a reason other than marriage.
<b>Deferred (delayed) Annuity Purchase</b>	An option available to a member of certain types of pension scheme, under which the purchase of an Annuity can be delayed to no later than age 75. In the meantime, income can be withdrawn from the fund.

<b>Defined Benefit</b>	An occupational pension scheme where the final pension an employee receives is linked to the size of their final salary They are also referred to as Final Salary Schemes.
<b>Defined Benefit Fund</b>	A pension fund in which the benefits to be paid to the member are defined in advance of the member's retirement. The benefit is usually expressed as a proportion of the member's salary on retirement. In these funds it is generally the company or sponsor of the fund (rather than the member) which carries the risk as to the ability of the fund to meet its liabilities. See also Defined Contribution Fund.
<b>Defined Contribution</b>	An occupational pension scheme where the contributions made by the employer and employee are set and the final pension an employee receives depends on the size of their fund on retirement. This final fund is then used to buy an annuity. Also referred to as Money Purchase schemes.
<b>Defined Contribution Fund</b>	A pension fund in which the amount of the contribution payable (as distinct from the end benefit) is defined. In these funds, the benefit payable to a member on retirement constitutes the aggregate of contributions to the fund (both employer and employee) in respect of the member, plus the investment earnings on those contributions. Unlike a defined benefit fund, the investment risk in a defined contribution fund is borne by the fund members.
<b>Deflation</b>	A general price decline during which consumer spending is substantially curtailed, bank loans contract and the amount of money in circulation is reduced. It is the opposite of inflation and generally applies to more than just a temporary decline.
<b>Delegated Switching Authority</b>	A legal document in which a policyholder advises the Life Company that he/she is giving permission to an authorised person/company (usually a Financial Adviser) to switch the investments within his/her policy without requiring a specific signature each time.
<b>Delivery</b>	The transfer of possession of securities from one individual or firm to another in fulfilment of contracts made on an exchange and on terms which meet all of the requirements of that exchange.
<b>Deposit Account</b>	A savings account from a bank or building society that pays interest on the amount of money held in it.

<b>Depository</b>	The Depository is responsible for the safekeeping of securities and independent monitoring of the ICVC's compliance with FSA regulations.
<b>Depreciation</b>	The writing-down of the cost of an asset systematically over the life of that asset.
<b>Depression</b>	A prolonged slump in economic activity, characterised by rising unemployment and serious falls in production and consumption of goods. See also Recession.
<b>Derivative</b>	A financial contract that derives its value from an underlying security, liability or index. Derivatives come in many varieties, including forwards, futures, options, warrants and swaps. Also known as Synthetic.
<b>Development Capital</b>	Usually refers to investments in relatively small, unlisted companies either in a start-up position or embarking on new or turnaround ventures that entail some investment risk but offer the potential for above average future profits. See also Venture Capital.
<b>Dilution</b>	A reduction in earnings per share of common stock that occurs through the issuance of additional shares or the conversion of convertible securities.
<b>Dilution Levy</b>	A charge levied by the ACD of an ICVC to be made for the purposes of reducing the effects of dilution
<b>Direct Debit</b>	An electronic way of making a payment directly from an individual's to a company's bank account.
<b>Discrete performance</b>	The performance of an investment during a defined time period.
<b>Discretionary Trust</b>	This is a type of trust where the trustees can decide who will benefit from the trust and how much they will get.
<b>Distribution</b>	When a company pays money (dividends) to its shareholders.
<b>Distribution Fund</b>	A fund which is invested to provide a distribution payment of income on a regular basis to policyholders.
<b>Diversification</b>	The spreading of investment funds among classes of securities and localities in order to distribute and control risk. This is a fundamental law of investment meaning simply: "don't put all your eggs in one basket".
<b>Dividend</b>	The amount of a company's after-tax earnings which it pays to shareholders.

<b>Dividend Discount Model</b>	A model for determining the price of a security based on the discounted value of its projected future dividend payments. These models are very sensitive to interest rates.
<b>Dividend Warrant</b>	If a company pays a dividend it provides each shareholder with a dividend warrant. This gives information about the Dividend such as the class of share, the amount and the tax credit.
<b>Dividend (distribution) Yield</b>	The return on share investment, calculated by dividing the dividend rate by the market price of the share.
<b>Divorce Credits and Debits</b>	<p>During pension sharing, section 29 of the Welfare Reform and Pensions Act 1999 (WRPA 99) makes provisions for the creation of a pension debit against the member's pension rights and for the former spouse to become entitled to a pension credit equal to the amount of the debit.</p> <p>As a result of a pension sharing order the former spouse will be entitled to a pension credit being equal to that in value to the pension debit against the member's pension rights.</p>
<b>Dow Jones</b>	A set of indices compiled daily from New York Stock Exchange closing prices. The averages are unweighted arithmetic indices, useful for showing general price movements. The Industrial Average consists of 30 industrial stocks. Referred to as the 'Dow Jones' and is probably the most widely quoted US index.
<b>E</b>	
<b>EAFE Index</b>	Abbreviation for Europe, Australia and Far East Index, a stock market index, often used as an ex-United States world equity benchmark by United States investors.
<b>Early Retirement</b>	When a member starts to take his/her pension before the normal retirement date of the scheme.
<b>Earnings Per Share (EPS)</b>	A measure of a company's performance, calculated by dividing the company's net operating profit after tax divided by the number of shares in issue.
<b>Earnings Yield</b>	A ratio calculated by dividing a company's earnings per share by its current share price. The reciprocal of the price earnings ratio.

**Efficient Frontier Modelling**

An investment portfolio is said to reside on the “efficient frontier” if it is expected to produce returns greater than other portfolios (i.e. with different asset mixes) of the same or lesser risk, where risk is defined as the standard deviation of the returns. In order to calculate an efficient frontier, future investment returns and their standard deviation need to be known. These are, of course, unknown and need to be estimated from past market data. However, there is no guarantee that the past will be a suitable guide to the future and so efficient frontiers cannot be determined with certainty.

**Electronic Trade Confirmation System (ETC)**

The generic term for any message or interface service that enables investors, brokers and custodians to electronically exchange confirmations that trade settlements have occurred.

**Emerging Markets**

Financial markets in countries with developing economies, where industrialisation has commenced and the economy has linkages with the global economy. The financial markets in these countries are immature compared to those of the world’s major financial centres, but are becoming increasingly sophisticated and integrated into the international markets. These markets provide potentially high returns but are subject to high risk and volatility.

**Employer Access**

Employers with 5 or more staff but with no pension arrangement in place must designate a stakeholder pension scheme and offer access to qualifying employees.

**Employer Funded Retirement Benefit Scheme (EFRBS)**

Previously known as FURBS and UURBS. These are unapproved schemes with no tax reliefs, that an employer funds to provide a member with a lump sum and/or income.

**Endowment Assurance**

A life assurance policy that pays out a lump sum after a specific period of time or on death of the policyholder. They can be used as a vehicle for saving or as a way to repay a mortgage. It is important to remember that endowment is a long-term commitment. A customer who surrenders early may not get back the amount of money they have invested. N.B. The definition does not apply to either an Endowment or a Pure Endowment.

**Enhanced Protection**

If a member is worried his pension rights exceed, or may exceed, the lifetime allowance, he can safeguard them against a tax charge.

<b>Equalisation</b>	Following a ruling by the European Court of Justice in 1990, occupational pension schemes cannot discriminate between men and women with regards retirement ages and scheme benefits.
<b>Equities</b>	Another name for Shares held in a company.
<b>Equity</b>	The value of an asset (e.g. a property) less any money owing on it (e.g. loans/mortgages).
<b>Equity Investment Funds</b>	An investment fund that invests in Shares in UK or overseas companies. International Equity Investment Funds invest either within developed economies or within emerging markets
<b>Equity Risk Premium</b>	The difference between the rate of return available from risk-free assets (such as government bonds) and that available from assuming the risk inherent in more volatile investment such as shares.
<b>Escalation</b>	When a pension in payment is automatically increased at regular intervals by a fixed percentage rate or the increase of a specific index such as the Retail Price Index (RPI).
<b>Ethical Investment</b>	An investment approach which takes into account considerations other than solely the financial return potential of particular investments. An ethical portfolio might, for example, avoid investing in alcohol or tobacco.
<b>Ex gratia</b>	A payment made that is not legally necessary under the terms of a contract. It is usually made because of a moral obligation and no legal liability is admitted by the payer when making an ex gratia payment.
<b>Excess Return</b>	The return achieved by a security over and above that obtained from a risk-free asset (such as a short-term government bond) held over the same period.
<b>Exchange Rate</b>	The price of the currency in terms of another currency.
<b>Exchange Rate Risk</b>	The risk that the value of an investment may be diminished by movements in the exchange rate on a foreign currency.
<b>Ex-Dividend</b>	A term meaning "without dividend" which denotes a share price which is quoted on the basis that the seller, not the buyer, is entitled to the current dividend on the share. (As opposed to Cum Dividend).

<b>Executor(s)</b>	Individual(s) or Company(s) who are appointed in a will to deal with the wishes of the deceased, in administering their estate.
<b>External Audit</b>	The risk associated with investments in a particular industry sector, country, company etc. Assessments of exposure risk are routinely conducted by responsible investors, as some risk element is inherent in all forms of investment other than cash.
<b>External Manager</b>	An organisation (e.g. an investment management company) engaged to manage and invest funds on behalf of a client.
<b>Extranet</b>	This is the extension of a company's intranet out onto the Internet, for example, to allow selected customers, suppliers and mobile workers to access the company's private data and applications via the World Wide Web. This is in contrast to, and usually in addition to, the company's public web site which is accessible to everyone. The difference can be somewhat blurred but generally an extranet implies real-time access through a firewall of some kind. Such facilities require very careful attention to security but are becoming an increasingly important means of delivering services and communicating efficiently.

## F

<b>Face Value</b>	The value of a bond that appears on the face of the bond, unless the value is otherwise specified by the issuer. Face value is ordinarily the amount that the issuer promises to pay at maturity and is not an indication of current market value.
<b>Fiduciary</b>	A person or organisation entrusted with the responsibility of managing, holding or investing assets in the best interest of the owner of the assets. Trustees of pension funds are fiduciaries in respect of the members of their funds.
<b>Final Salary Scheme</b>	An occupational pension scheme where the final pension an employee receives is linked to the size of their final salary. They are also referred to as Defined Benefits schemes.
<b>Financial Adviser</b>	Individuals who give advice about all aspects of finance. Financial advisers can advise and sell products for a range of insurance companies and investment companies. Generally, the companies pay them commission when they sell a product although they may assign part of that commission to their client. There

	are also financial advisers who do not take commission but charge a fee to their clients instead.
<b>Financial Assistance Scheme (FAS)</b>	An government funded scheme, operated by the DWP, set up in 2005 to pay compensation to wound up occupational pension scheme members who have lost pension rights following an employer's insolvency.
<b>Financial Ombudsman</b>	The Financial Ombudsman was set up to provide a free and independent service to resolve disputes between consumers and financial firms. Consumers must complain to the firm involved first, but thereafter the Financial Ombudsman will aim to resolve the dispute within six months.
<b>Fixed Income</b>	American term for Fixed Interest. See Fixed Interest
<b>Fixed Interest</b>	Referring to income which remains constant and does not fluctuate, such as income derived from bonds, annuities etc. Any debt security which has a fixed flow of income is known as a fixed interest security.
<b>Fixed Interest Rate</b>	An interest rate, which does not change during an investment or borrowing period.
<b>Floor</b>	The trading area where securities are bought and sold on an exchange.
<b>Forward Contract</b>	A cash market transaction in which two parties agree to the purchase and sale of a commodity (including exchange rates) at some future time under such conditions as the two agree. In contrast to futures contracts, the terms of forward contracts are not standardised, a forward contract is not transferable and there is no margin or collateral requirement to assure performance of the contract.
<b>Forward Rate Agreement (FRA)</b>	A contract for borrowing or lending at a stated interest rate over a stated period that begins at some time in the future. FRAs are used by parties wishing to protect themselves against future interest-rate movements.
<b>FOS</b>	Financial Ombudsman Service
<b>FRN's</b>	Abbreviation for floating rate notes which are long-term (5 years or more) debt securities whose interest rates are adjusted periodically in line with a benchmark rate. FRNs appeal to investors who might otherwise be reluctant to commit funds to fixed interest investments for lengthy periods in times of fluctuating interest rates.

<b>Front End Fee</b>	A fee charge to a borrower at the commencement of a loan, or a commission levied on an investor to buy into a unit trust. Also known as a front end load.
<b>FCA (Financial Conduct Authority)</b>	The financial service industry's regulator. One of the principal aims of the regulator is to protect the consumer.
<b>FSAVC</b>	Free Standing Additional Voluntary Contribution – Non compulsory payments made by a member of an occupational pension scheme who wants to boost their retirement benefits but keep it separate from their occupational fund.
<b>FSCS</b>	Financial Services Compensation Scheme.
<b>FTSE 100 Index</b>	An index of the Share prices of the 100 largest companies (by market capitalisation) in the UK.
<b>FTSE All-Share Index</b>	An index of the Share prices of over 800 leading companies and Investment Trusts on the London Stock Exchange. See also FTSE 100 Index.
<b>Fully Contracted Out</b>	Pension policy where the only premium received is the Department of Work and Pensions rebate.
<b>Fully Paid-Up Share</b>	When a company issuing a Share has received all the money for it from the shareholder.
<b>Fund</b>	A pool of money normally set apart for a purpose, for example, a pension fund to provide benefits under a pension policy.
<b>Fundamental Analysis</b>	Analysis of share values based on factors such as sales, earnings and assets that are “fundamental” to the enterprise of the company in question. These factors are considered in light of current share prices to ascertain any mispricing of the shares.
<b>Fund Manager</b>	The professional company responsible for the day to day running of a fund.
<b>Fund Manager Start Date</b>	The date on which the particular fund manager took on responsibility for running the fund.
<b>Fund Manager Tenure</b>	The length of time the particular fund manager has been running the fund.

<b>Fund Risk Number</b>	Usually calculated by taking the volatility values of all the funds in the relevant fund range and arranging them in ascending order. These may then be divided into further segments, eg, each segment representing 10% of the range.
<b>Fund Size</b>	The value of all the assets held in a fund. Usually based on the bid or selling price of the underlying assets.
<b>Fund Supermarkets</b>	Providing access to a number of investment companies through one route e.g. one website address.
<b>Fund Value</b>	The monetary value of a fund, calculated by adding up the value of its underlying assets. The price of units in a Unit Trust, for instance, is worked out from the value of all its holdings divided by the number of units issued.
<b>Fund Yield</b>	A fund yield expresses the amount of income that a fund has paid out in proportion to its price, and is usually stated in annualized terms. It may express either actual or expected distributions. A fund's yield is commonly associated with a fund's interest rate or dividend payment.
<b>Futures Contract</b>	An obligation to make or take delivery of a specified quantity and quality of an underlying asset at a particular time in the future and at a price agreed when the contract was executed.
<b>Futures Exchange</b>	A market in which futures contracts are transacted.

## G

<b>Gearing</b>	A measure of indebtedness, i.e. the extent of borrowing as against the equity held by a person or company in an asset. The ability to increase exposure by investing in futures contracts without making the underlying cash available. See also Leverage.
<b>Gift</b>	Is a transfer of goods or property to another party. There are limits to the amount of gifts you can make without any tax liability.
<b>Gilt</b>	A loan to the government usually with a fixed rate of interest and usually over a specified period of time. The original amount is usually repaid at the end of the loan period
<b>Gilt Edged</b>	Low risk investment with high security.

<b>Global CAP:Link</b>	Global CAP:Link is a stochastic asset model built by Tillinghast Towers Perrin, which uses mathematical formulae to project many hundreds of plausible, although not necessarily likely, paths for future investment returns for the asset classes. Whilst every effort has been made to make this as accurate as possible, actual future investment returns could be significantly different to those projected by the model. Also, Global CAP:Link focuses on the longer term and does not try to predict short term factors that might make one asset class relatively attractive compared to other classes, as such it should not be used for short term, tactical investments.
<b>Greenback</b>	A colloquial term for the US dollar.
<b>Greenmail</b>	A term that describes when a hostile bidder threatens a company with takeover by purchasing a large number of its shares, forcing the management of the company to repurchase the shares at an above market price.
<b>Gross</b>	The total before deductions have been taken away.
<b>Gross Domestic Product (GDP)</b>	A measurement of the aggregate goods produced and services provided within an economy over a year and excluding income earned outside the country. Considered one of the main yardsticks of the health and vitality of an economy. See also Gross National Product.
<b>Gross Interest</b>	The amount of interest you receive without any Income Tax taken out
<b>Gross National Product</b>	An economic statistic which includes GDP plus any income earned by residents from their overseas investments, minus income earned within the domestic economy by overseas residents. See also Gross Domestic Product.
<b>Group of Seven (G7)</b>	The seven major capitalist powers: Canada, France, Germany, Italy, Japan, UK and US.
<b>Growth Investor</b>	One who seeks capital gain from expected further growth in company earnings. Typically, growth investors care less about price/earnings ratios and other valuation measures and more about earnings growth.
<b>Growth Stocks</b>	Stocks whose earnings have grown at an above-average rate over a number of years and which are expected to continue to grow at a high rate for some time to come.

**Guaranteed Minimum Pension** A Guaranteed Pension amount paid, as a condition of contracting out of SERPS under a Final Salary Scheme up to and including 5 April 1997 from which point different rules apply.

## H

**Hang Seng Index** The principal Hong Kong Share Price Index.

**Headline Inflation** The published overall inflation rate, unadjusted for non-economic factors, as opposed to underlying inflation.

**Hedge/Hedging** The practice of undertaking one investment activity in order to protect against loss in another e.g. selling short to nullify a previous purchase. While hedges reduce potential losses, they also tend to reduce potential profits.

**Hedge Fund** A type of investment portfolio under which the fund manager is authorised to utilise a number of higher risk investment techniques, including using derivatives, short selling and borrowing funds to generate a higher return.

**Higher Rate Tax** The highest rate of Income Tax in the UK, which is currently 40%.

**High Yield Corporate Bonds** Generally, a high yield bond will be ranked very low by a rating agency, because these are bonds which have a relatively high chance of default, and therefore have to offer higher returns.

**HM Revenue & Customs (HMRC)** A government department, successor to the Inland Revenue and Customs & Excise, that handles the tax approval of pension schemes and taxation of contributions and benefits

**Holding Company** Company which controls another company usually by owning 50% or more of its Shares.

## I

**ICVC** Investment Company with Variable Capital – this is the generic term for an OEIC or similar investment vehicle where investors pool their contributions with those of other people, to create a portfolio of assets.

**Illustration** An example of the potential growth rates a customer can expect to receive from an investment. The growth rates used are set by the FSA, the industry's regulator. It is important to remember that the actual return received could be higher or lower than those shown on the illustration.

<b>IMA sectors</b>	Grouping of funds for performance measurement by the Investment Management Association.
<b>Immunisation</b>	The design of a portfolio to achieve a target level of return in the face of changing reinvestment rates and price levels. This is done by combining short and long-term bonds in the same portfolio to produce a predictable rate of return regardless of movements in interest rates.
<b>Impaired Life Annuity</b>	If a member of a defined contribution scheme or personal pension plan is unable to work as a result of his medical condition, he may be able to draw an immediate annuity on enhanced terms
<b>Income</b>	Money received by an individual as a salary, or from investments. Cash deposits and Bonds will provide income in the form of interest. UK Shares will, in most but not all cases, provide income in the form of twice-yearly dividends. The most notable exceptions are the high growth, 'new economy' stocks that came to prominence in the late 1990s which generally do not pay dividends. This income is subject to Income Tax.
<b>Income Drawdown</b>	See unsecured pension.
<b>Income Portfolio</b>	A portfolio consisting of securities whose principal attractiveness lies in the steady income they provide.
<b>Income Tax</b>	Tax paid by individuals on income received over a certain threshold. The amount paid will depend on the amount earned and unearned during a tax year period.
<b>Income Unit</b>	Unit held within a Unit Trust that pays out to investors as an income, instead of being reinvested.
<b>Income Withdrawal</b>	See unsecured pension.
<b>Indemnity Insurance</b>	An insurance designed to compensate a policy holder for any loss suffered.
<b>Independent Trustee (IT)</b>	A trustee with no links to the pension scheme, the employer or the members. In some circumstances there is a legal requirement to appoint an Independent Trustee such as on the winding up of a defined benefit scheme where the employer is insolvent

<b>Index</b>	In the stock market, an index is a device that measures changes in the prices of a basket of Shares, and represents the changes using a single figure. The purpose is to give investors an easy way to see the general direction of Shares in the index. Examples of stock market indices are the FTSE 100, FTSE All-Share, Nikkei and Dow Jones.
<b>Indexation</b>	<ol style="list-style-type: none"> <li>1. Making an adjustment to allow for the effects inflation can have on money formerly used to reduce the amount payable in Capital Gains Tax.</li> <li>2. Another name for Index Tracking. An investment strategy designed to produce a rate of return in line with a specific financial index</li> </ol>
<b>Index Fund</b>	A portfolio of securities structured in such a way that its value will closely follow a nominated market index, e.g. an equity index fund may be designed to track the FT/S&P All Share Index. There are three main methods in use; Replication, Stratified Sampling and Optimised Sampling.
<b>Index Linked</b>	A way of managing a fund. An index-linked fund simply follows as closely as possible the movement within a chosen market. It does not aim to outperform the market like active management does.
<b>Index Linked Gilts</b>	A UK government bond (gilt) whose redemption value and interest payments are linked to inflation (as measured by the Retail Prices Index).
<b>Inflation</b>	An increase in the level of prices of goods and services in the economy. It is typically measured by examining a basket of goods and services.
<b>Inheritance Tax (IHT)</b>	<p>IHT is a tax that your estate pays at a flat rate of 40% on assets over a certain limit (the IHT threshold) that you leave on your death.</p> <p>Any amount of money you give away outright will not be counted for the IHT if you survive for seven years after making the gift. If you die within seven years, taper relief on the amount will apply. This reduces the amount of tax due.</p> <p>Some gifts are exempt for IHT altogether regardless of how soon you die after making them. They include gifts to your spouse and gifts to charities.</p>
<b>In-House</b>	Referring to an activity which is conducted within an organisation rather than contracted out to an external party.

<b>Initial Charge</b>	A charge made by an investment provider when you first take out an investment. This is to cover the cost of setting up the investment
<b>Initial Public Offering (IPO)</b>	The first sale of shares of a company to the public.
<b>Insider Trading</b>	The illegal practice of trading in securities on the basis of “inside” or secret information which is not available to the public at large.
<b>Insurance Premium Tax</b>	A tax levied on most non-life insurance policies.
<b>Insured</b>	A person covered by an insurance policy.
<b>Insurer</b>	A company that offers an insurance policy.
<b>Inter-spouse Transfers</b>	A tax-free transfer between husband and wife under Inheritance Tax rules.
<b>Interest</b>	The return earned on funds which have been loaned or invested (i.e. the amount a borrower pays to a lender for the use of his/her money).
<b>Interest Coverage</b>	A measure of a company’s ability to meet its interest obligations, calculated by dividing interest payments into income. The higher the ratio the better.
<b>Interest Rate</b>	The amount of money a customer can earn on an investment. It is usually expressed as a percentage of the total sum invested.
<b>Interest Rate Risk</b>	The risk borne by fixed interest securities, and by borrowers with floating rate loans, when interest rates fluctuate. When interest rates rise, the market value of fixed interest securities declines and vice versa.
<b>Interest Rate Sensitivity</b>	The degree of movement in the price of a security, usually that of a bond, resulting from moves in interest rates.
<b>Internal Dispute Resolution Procedure (IDRP)</b>	The formal grievance procedure for occupational pension scheme members and beneficiaries who want to complain against their scheme trustees
<b>International Monetary Fund (IMF)</b>	An international organisation founded in 1947 to promote maintenance of equilibrium in the balance of payments among the various nations of the world. The functions of the IMF include the levying of quotas on member nations to create a pool of funds available to be loaned to nations facing balance of payments problems.
<b>Intestate</b>	Without a valid will.

<b>Investible</b>	Capable of being invested. When comparing investment returns against a benchmark, it is preferable that the benchmark be an investible one in order that realistic comparisons can be made between actual and benchmark performance.
<b>Investment</b>	An asset acquired for the purpose of producing income and/or capital gains for its owner.
<b>Investment Analyst</b>	A financial expert trained to analyse the activities and future prospects and earnings of companies and securities for the purpose of investment.
<b>Investment Company</b>	This is a company whose main business consists of specific activities relating to investments. Examples of Investment Companies include stockbrokers and investment fund managers.
<b>Investment Environment</b>	The general economic, political, legal and market conditions within which an investment is made.
<b>Investment Grade Bonds</b>	Bonds which have a credit rating which is sufficient for them to be purchased by most institutional investors.
<b>Investment Management Agreement</b>	A contractual agreement between an investor and an investment manager stating the terms and conditions applying to management of the stated assets.
<b>Investment Manager</b>	An organisation or individual that specialises in the investment of a portfolio of securities on behalf of individuals and/or organisations subject to the guidelines and directions of the investor. Investment managers offer both pooled investment products and segregated portfolios to a range of clients including pension funds, institutions and private investors.
<b>Investment Philosophy</b>	The set of principles or systems used by investors to govern the way they manage portfolios. Sometimes confused with investment style, which tends more to be associated with the level of risk in the portfolio.
<b>Investment Trust</b>	A company that invests in shares of other companies. When investing in an Investment Trust customers actually own shares in the Investment Trust rather than owning the shares it invests in. Investment Trusts are closed ended investment vehicles.

**Investor** A person whose principal purpose is to invest money prudently and productively over the longer term with the investment objectives being achievement of a reasonable return and capital appreciation to preserve purchasing power. The opposite of a Speculator, who will sacrifice safety of principal for the possibility of larger gains.

**ISA (NISA from 1<sup>st</sup> July 2014)** Individual Savings Account – A savings vehicle that allows customers to invest in equities, life assurance policies or save in cash without having to pay tax on the returns gained from them. Reclassified as Stocks and Shares ISA or Cash ISA from April 2008, with new rules applying. ISAs became New Individual Savings Accounts (NISAs) from 1<sup>st</sup> July 2014.

## J

**Joint Life** A life policy option where life assurance is taken out by one (or more) individuals, the payout being made on the death of first Life Assured or the death of the last remaining Life Assured.

**Joint Life First Death** Where a policy ends on the earlier of full encashment , or the death of one of the Lives Assured.

**Joint Life Last Death** Where a bond ends on the earlier of full encashment , or death of the last remaining Life Assured.

**Junk Bond** A high risk, high yield debt security rated below triple B.

## K

**Key Features Document** A document that will contain key information on a financial product, such as:

1. An explanation of the purpose, commitment and risks involved, as well as answers to some of the most common questions asked.
2. Details of what the policy might be worth in future years.
3. Details and explanation of the charges made on the policy.

**Key Investor Information Document (KIID)** The KIID is a new way of providing essential information and key facts about funds, to help you assess whether a particular investment fund meets your needs. It comes in a standardised, jargon free format, set out in European regulations. The aim is to enable potential investors to make comparisons between different funds and to facilitate informed investment decisions.

<b>Key Person Insurance</b>	A life assurance policy to cover the death of a business's key employee. It pays out a lump sum that is designed to cover the costs of finding and training a replacement as well as covering any loss of profitability.
<b>L</b>	
<b>Launch Date</b>	The inception date of a fund.
<b>Level Term Assurance</b>	A simple form of life assurance that pays out a lump sum if the policy holder dies within a specified time period
<b>Leverage</b>	A synonym for gearing (e.g. using derivative investments to over-invest a portfolio).
<b>Liabilities</b>	Opposite of assets – i.e. debts. In the case of pension funds, a stream of obligations (pension payments).
<b>LIBOR</b>	Abbreviation for London Interbank Offered Rate, the interest rate at which major international banks in London will lend cash to each other, and thus an indicator rate for international lending.
<b>Life Assurance</b>	An insurance policy which pays out a lump sum on the death of the policy holder
<b>Life Assured</b>	The Life Assured is the person (or persons) covered by the life insurance contract that has been taken out with the Life Company. You can take out life insurance on your own life or the life of other individuals such as your spouse or business partner, provided you can show that you have a financial interest in them. It is also possible in these circumstances to take out a joint life policy of which there are two main types; a joint-life first-death policy which pays out on the first death of one of the lives assured; and a joint-life last-survivor policy pays out on the death of the last of the lives assured.
<b>Life Company</b>	Life assurance is one of the oldest forms of insurance, but now comes in a variety of forms. Put simply, it is a contract between an insurance company (the Life Company) and individual(s), where the insurance company pays out, in return for premiums paid, if the insured person dies before the end of the contract.
<b>Life Fund</b>	A pool of money held by a Life Company into which all life assurance policy holders' premiums are paid and all claims are made from.

<b>Lifetime Allowance (LA)</b>	The maximum value of fund a pension scheme member can accumulate without incurring a tax charge.
<b>Liquidity</b>	The ability of an investment to be easily converted into cash with little or no loss of capital and with minimum delay. An example of a highly liquid asset is a short term bank bill, while property is a relatively illiquid investment. For many securities, the degree of liquidity depends on the depth of the secondary market for that security. Also refers to the maintenance of cash and reserves by a financial institution to fund withdrawals by depositors, unit holders or clients.
<b>Liquidity Risk</b>	The risk that an investment may not be easily converted into cash with little or no loss of capital and with minimum delay.
<b>Liquid Market</b>	A market where selling and buying can be accomplished with ease, due to the presence of a large number of interested buyers and sellers willing and able to trade substantial quantities at small price differences.
<b>Lipper Asset Allocation Analysis Models</b>	Lipper Models are based on Lipper's Asset Allocation Analysis process. This Asset Allocation Analysis (AAA) provides a monthly peer survey, covering in excess of 2,800 life & pension and unit trusts, detailing their investment mix and geographical asset allocation.  For an investment manager, the funds asset allocation will provide a performance differential to the benchmark index as well as the funds peer sector. Understanding the allocation of the funds within the peer sector will give the investment manager the ability to measure the potential risk of out or under performing relative to its peers. Hence, AAA enhances the asset allocation decision to take account of the funds performance against its peers.
<b>Listed Company</b>	A company whose shares are traded on the stock exchange and are able to be bought and sold by members of the general public.
<b>Listed Security</b>	A Share which is quoted on a Stock Exchange. Specifically in the UK, this would be a listing on the main market (as opposed to the unlisted securities market or the third market).
<b>Loan Stock</b>	A security bearing a fixed rate of interest. The capital (the amount loaned) is repaid after a given period of time.

<b>Long</b>	In relation to foreign exchange and share trading, referring to an ownership position in which the trader has bought more of a particular security than he or she has sold.
<b>Long Position</b>	An excess of purchases over sales of the relevant investment instrument.
<b>Long Term Care Bonds</b>	An investment bond that is designed to cover the costs of care in old age. Can be used to cover residential home cost as well as expenses incurred when care takes place within the home.
<b>Loss Adjuster</b>	A person independent of the insurance company, but paid by it, who is responsible for checking that the claim is covered under the policy and negotiates the amount paid with the policy holder.
<b>Lower Earnings Limit</b>	The minimum amount which must be earned in any pay period before National Insurance becomes payable.
<b>LPI (Limited Price Indexation)</b>	See Limited Price Indexation
<b>Limited Price Indexation (LPI)</b>	Pensions paid by an Occupational Pension Scheme, and Protected Rights paid by an Appropriate Personal Pension Scheme must increase by at least 5% per annum, or the increase in the Retail Price Index, whichever is less. It applies to pensions accrued in respect of service after 5 April 1997. LPI has been removed for all money purchase benefits including Protected Rights from April 2005.
<b>Limited Price Index (LPI)</b>	The change in the Retail Price Index between 1 October and the following 30 September, capped at 5% (from April 1997 to April 2005) and 2.5% (since April 2005). Used by pension schemes for pension increases and revaluation.

## M

<b>Macroeconomics</b>	Economic analysis concerning broad trends and influences on the economy, such as the interaction of fiscal and monetary policies, GDP, balance of payments etc. As opposed to Microeconomics which focuses on individual units such as companies and markets to assess their influence on the economy.
<b>Managed Fund</b>	Managed funds are generally made up of a spread of other specialist funds so spreading the risk.
<b>Mandate</b>	The agreed objectives given by an investor to his or her investment manager, often including a benchmark, guidelines as to sector exposures and prohibited investments.

<b>Marginal Tax Rate</b>	The tax rate applied as someone moves from up from one tax band to the next.
<b>Market Capitalisation</b>	The sum of the total amount of various securities issued by a corporation, multiplied by the current market price of those securities.
<b>Market Cycle</b>	A business cycle concerned specifically with rises and falls in market activity, as measured by an index.
<b>Market Level Indicator</b>	An index comparing the values of fixed interest securities and Shares, used in determining State scheme premiums
<b>Market Price</b>	With reference to a security, the last reported price at which the security sold. Alternatively, the highest price which a buyer, willing but not compelled to buy, would pay, and the lowest a seller, willing but not compelled to sell, would accept.
<b>Market Risk</b>	Risk that relates to the market as a whole and therefore cannot be diversified away simply by holding a greater variety of securities. See also Systematic Risk.
<b>Market Timing</b>	The purchase or sale of securities on the basis of shorter-term price patterns and temporary market opportunities as well as judgements of underlying value. An extremely difficult thing to get right consistently.
<b>Market Value</b>	The value of an asset to a third party on the open market.
<b>Market Value Reduction (adjustment)</b>	A reduction in the value of a claim on a Unitised With-Profits Bond in order to reflect fairly the movement of assets underlying the policy.
<b>Matching</b>	The arrangement of assets, and the return from those assets, to meet future liabilities and obligations.
<b>Maturity</b>	The date on which a loan, bond, mortgage, life policy, or other debt or security is due to be repaid.
<b>Maxi ISA</b>	A maxi ISA includes investments in stocks and shares and may also allow investments in cash and Life Assurance. An individual can invest up to £7000 in a maxi ISA. Reclassified as Stocks and Shares ISA from April 2008, with new rules applying.
<b>Maximum gain</b>	The Maximum Gain represents the best possible return, over a minimum of three months within the performance period.

<b>Maximum Loss</b>	<p>The Maximum Loss represents the worst possible return, over a minimum of three months within the performance period.</p>
<b>Median</b>	<p>The value (rate of return, market sensitivity, etc) that exceeds one-half of the values in the sample and is exceeded by the other half. The median is always the middle value, as distinct from the mean, which represents the average value. For example, if five items cost £20, £80, £100, £300 and £500 respectively, the median value would be £100, whereas the mean or average would be £200.</p>
<b>Member</b>	<p>A person who has been admitted to membership of a pension scheme and is entitled to benefits under the scheme.</p>
<b>Member Choice</b>	<p>A facility made available to the members of a defined contribution fund allowing them to decide the proportion of funds to be allocated between high and low risk investment strategies, sectors and/or managers. Typically, a fund with a member choice facility will allow members the opportunity to switch between investment options at certain intervals.</p>
<b>Microeconomics</b>	<p>Economic analysis dealing with individual companies or markets and their impact on the economy, as opposed to macroeconomics which focuses on broader influences and trends.</p>
<b>Middle Band Earnings</b>	<p>Earnings between the lower earnings limit and upper earnings limit.</p>
<b>Mini ISA (No longer Applicable)</b>	<p>Reclassified as either Stocks and Shares ISA or Cash ISA from April 2008, with new rules applying.</p>
<b>Minimum Contributions (No longer Applicable)</b>	<p>Contributions payable to an appropriate Personal Pension or Stakeholder Pension by the Inland Revenue in respect of a member who has contracted out of SERPS or the State Second Pension. This could also refer to minimum contribution levels that can be paid into a financial product.</p>
<b>Minimum Income Guarantee (MIG)</b>	<p>A means-tested benefit that helps individuals on low incomes at retirement. If you apply, the Department of Work and Pensions assesses your income and decides whether you get a top-up.</p>
<b>Modified Duration</b>	<p>The level of interest rate sensitivity resulting from small changes in the yield to maturity of a bond. Modified duration is measured as the interest rate sensitivity of the bond as a percentage of the bond's price; in other words it is the present value of the duration.</p>

**Momentum**

The tendency of an asset price to keep moving in the same direction, either upwards or downwards.

**Money Market**

The market for trade in short-term securities such as Bills of Exchange, Promissory Notes and Government and Semi-Government bonds. Participants in the money market include banks and other financial institutions, life offices, stockbrokers, pension funds and Government authorities. See also Capital Markets.

**Money Purchase Schemes**

An occupational pension scheme where the contributions made by the employer and employee are set and the final pension an employee receives depends on the size of their fund on retirement. This final fund is then used to buy an annuity. Also referred to as Defined Contribution schemes

**Moody's**

American credit rating organisation – operates in similar fashion to Standard & Poor 's.

**Mortgage Indemnity Insurance**

Insurance that covers the mortgage lender, in the event that the property is repossessed and its value when sold does not cover the remaining loan.

**MSCI Index**

Abbreviation for Morgan Stanley Capital International Index, a series of country indexes of equity prices. The MSCI World Index is one standard for comparisons of international equity performance, although there are others, including the Frank Russell and Financial Times indices.

**Mutual Fund**

An American term for certain forms of collective investments. Mutual funds are similar to unit trusts in that individual investors are entitled to an interest in a portfolio of securities, but different in the sense that they are offered through a corporate legal structure rather than through a trust arrangement.

**N****National Insurance Contributions Office (NICO)**

A part of HMRC. They administer the collection of National Insurance Contributions.

**National Savings**

The total level of savings, defined as the income remaining after consumption, of a country's households. This is also a brand name for savings products issued by the Government, usually via the Post Office.

**Negative Periods**

The number of months over the last 12 months that a fund has reduced in value.

<b>Negotiable Instrument</b>	A piece of paper representing ownership of a financial asset or debt, and capable of being traded in the money market (e.g. Bill of Exchange, Promissory Notes).
<b>Net</b>	Interest received on a savings account after tax has been deducted. This term also applies to premiums paid net of tax relief.
<b>Net Asset Value (NAV)</b>	The valuation of a collective investment based on the market value of securities added to the cash element held in its portfolio. OEICs use this method for valuation purposes.
<b>Net Interest</b>	Interest received on a savings account after tax has been deducted.
<b>Net Present Value (NPV)</b>	The current value of a stream of income discounted by a factor (usually inflation) over the period of an investment.
<b>New Issue</b>	Any type of security issued to raise additional money. Offerings are made to existing shareholders, through rights issues or entitlements and/or to non-shareholders. Proceeds may be used for retiring debt, for acquisition or for working capital.
<b>NICO</b>	National Insurance Contributions Office.
<b>Nil Rate Band</b>	The first threshold in the value of an estate on which the IHT rate levied is nil.
<b>No Claims Bonus</b>	A reduction in an insurance premium because the customer has a claim free record.
<b>Nominal Value</b>	The face value of something e.g. a Share issue
<b>Nominee</b>	An individual or company in whose name a security is registered to be owned, although the real (or beneficial) ownership is actually held by another party. Nominee companies are often used by share investors who for some reason wish their identities to remain undisclosed or who simply require another party to manage (or hold as custodian) their investments.
<b>Non Contributory Pension</b>	An occupational pension where the employee does not make any type of contribution. It is entirely funded by the employer.
<b>Normal Retirement Date</b>	Refers to the date when benefits can normally be taken from a pension scheme, as defined in the rules of the plan.
<b>Not Contracted Out</b>	Someone who has not contracted out of State Second Pension.

## O

### **OBSR Ratings (Now Morningstar OBSR and the ratings have changed to Gold, Silver and Bronze)**

OBSR Fund Ratings are determined on the premise that the fund selection process should, whilst taking past performance into consideration, ascribe greater weight to identifying the factors which will affect future performance. This process demands a much stronger emphasis on a qualitative examination of funds. Ratings awarded are AAA, AA or A.

There are several key factors which lead to the final OBSR Rating determination. These are:

- Strength of investment process and length of time it has been in place
- Continuity of investment personnel
- Investment style that has proven durable over time
- Clearly defined investment objectives
- Strong and consistent past performance record
- Favourable risk adjusted returns

### **Occupational Pension Scheme**

The OBSR Ratings are determined following in-depth qualitative and quantitative analysis with the emphasis more focused towards qualitative appraisals.

A pension scheme provided by an employer for its employees. Occupational pension schemes are mainly "defined benefit" or "defined contribution".

### **Off Balance Sheet**

Referring to financial commitments or liabilities that do not generally appear in a company's balance sheet (e.g. operating leases or derivative contracts).

### **Offer**

The price at which a person or company is willing to sell (Also known as Ask). For example, a seller will present their stock for sale at the offer price. As a buyer, you will buy at the offer (or Ask) price.

### **Offer To Bid**

Compares the original purchase cost or offer price –usually of a Unit Trust –with its bid price, the price you receive if you sell.

### **Offer To Offer**

Compares the original purchase cost or offer price – usually of a Unit Trust – with its current offer price.

<b>Off Market</b>	Relating to a transaction which occurs outside a formal market – e.g. transactions in unlisted securities or transactions involving listed shares which were not executed on a stock exchange. Off market transactions are conducted through negotiation rather than an "auction" system.
<b>Offshore</b>	Basically, anywhere out of the country not within the authority of the Inland Revenue.
<b>Offshore Sector</b>	The group of funds all registered outside the UK.
<b>Ombudsman</b>	See Financial Ombudsman
<b>OPAs</b>	The Pensions Advisory Service – an independent organisation which gives free advice to members of the public who have a problem with an occupational pension scheme or a personal pension scheme. It does not give financial advice or advice on state scheme benefits.
<b>Open Ended Investment Company (OEIC)</b>	OEICs have been familiar in continental Europe and Offshore for some time. They are now permitted in the United Kingdom and a number of unit trusts have been converted into OEICs. Basically, the OEIC is an investment company where shares can be created or cancelled to match demand, in a way similar to the units of a unit trust. The principal difference lies in the fact that there is a "single price" to which is added the initial charge for purchase.
<b>Opening Price</b>	The price at which a security commences trading at the opening of a trading day.
<b>Open Market Option</b>	An option to move the value of your pension fund at retirement to an insurance company to purchase a pension income known as an Annuity. Normally used to gain a higher annuity rate.
<b>OPRA</b>	Now replaced by The Pensions Regulator.
<b>Optimisation</b>	A mathematical process which creates a compromise between conflicting objectives (e.g. between maximising return and minimising risk). An optimisation program will identify the asset mix which is likely to give the highest return for a given risk level, or alternatively, the lowest risk portfolio to achieve a desired return. See also Portfolio Optimisation.

<b>Option</b>	An agreement which conveys the right to the holder to buy (receive) or sell (deliver) a specific security at a stipulated price and within a stated period of time. If the option is not exercised during that time, the money paid for it (but no more than that amount) is forfeited. See also Call Option.
<b>Ordinary Residence</b>	For the purposes of taxation an individual may be ordinarily resident in the UK although he or she is not physically resident in a particular tax year .The term 'ordinary residence 'is broadly equivalent to habitual residence. If an individual is a resident in the UK year after year, he or she is ordinarily resident here and liable for UK tax.
<b>Ordinary Shares</b>	Securities which represent an ownership interest in a company. If the company has also issued preference shares, both have ownership rights. The preference shareholder normally is limited to a fixed dividend, but has prior claim on dividends and, in the event of liquidation, assets. Ordinary shareholders assume the greater risk, but generally exercise the greater control and may gain the greater reward in the form of dividends and capital appreciation. If the company is wound up, the ordinary shareholders generally rank behind secured creditors, including debenture holders, in the liquidation process.
<b>Outperformance</b>	Achievement of a higher investment return than a benchmark or other measure against which that return is being compared. For example an equity fund would be said to have outperformed the index if the fund achieved a 5% return against a 3% return by the index over the same period (As opposed to Underperformance).
<b>Overfunding</b>	Where a pension arrangement has assets which exceed those required to meet its liabilities.
<b>Overweight</b>	Having a greater exposure to a particular sector or stock in an investment portfolio compared with a neutral or benchmark position (As opposed to Underweight).

## **P**

<b>Payments Schedule</b>	Tells the trustees of a defined benefit schemes how much the employer and employees will contribute
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<b>Package Trade</b>	A transaction involving the purchase and/or sale of an entire portfolio or basket of securities rather than individual securities alone. Often used to manage index funds, and occasionally to arbitrage between physical and derivative securities.
<b>Paid-up Benefits</b>	A preserved benefit which is secured for an individual member of a pension scheme or the policyholder of a life assurance policy where premiums have ceased to be payable in respect of that member.
<b>Passive Management</b>	An investment approach which aims to mirror or 'track' the performance of a financial index. This is normally done by either investing in the exact constituents of an index or by taking a representative 'sample' of that index. The managers of the fund have lower expenses than active fund managers, and the charges to investors are therefore lower.
<b>Penny Shares</b>	Term used to describe Shares with a low value, usually under £1 per Share; very often high-risk Shares.
<b>Pension</b>	A regular income paid to a person after they have retired. Also used to describe a plan or scheme that is set up to provide a pension or other retirement benefits.
<b>Pension Annuity</b>	An insurance policy that pays out an income during retirement. The Annuity is bought with savings made before retirement e.g, from a Personal Pension or Occupational Pension Scheme. This can also be known as a Compulsory Purchase Annuity.
<b>Pension Earmarking</b>	Provides a spouse with a share of a pension scheme member's pension rights on divorce. Spouse's share is paid when the member draws his benefits.
<b>Pension Fund</b>	General term used to describe the investment fund built up in a pension plan and used at retirement to purchase an Annuity to provide a continuing income.
<b>Pension Offsetting</b>	A member's pension rights are offset against other assets as part of a divorce settlement.
<b>Pension Protection Fund (PPF)</b>	An independent, levy funded body that compensates members of occupational pension schemes who have lost pension benefits as a result of an employer's insolvency.
<b>Pension Sharing</b>	Provides a spouse with a share of a pension scheme members retirement benefits on divorce. Spouse is given a credit to put towards their own retirement benefits.

<b>Pension Tracing Service</b>	Operated by The Pension Service. Pension scheme members are able to trace lost pension schemes.
<b>Pension Transfers</b>	Refers to the current value of a pension plan that can be transferred from one approved scheme to another approved scheme. The value is transferred direct from one employer or pension provider to another.
<b>Pensionable Earnings</b>	Earnings on which benefits and contributions in a pension scheme are calculated.
<b>Pensions Credit</b>	A means-tested benefit that boosts a pensioner's state pension to ensure they have a minimum level of income
<b>Pensions Ombudsman</b>	An independent, levy funded individual who determines complaints by scheme members and beneficiaries about the way a pension scheme is run against scheme trustees, managers, administrators and employers.
<b>Pensions Simplification</b>	The name given to the changes introduced by HMRC on A-Day. One single tax regime was introduced to replace the previous eight.
<b>Pensionable Service</b>	Period of service with a company that is used in the calculation of pension benefits
<b>Pensioneer Trustee</b>	An independent professionally recognised trustee.
<b>Percentile</b>	A statistical measure representing the ranking of a particular figure or outcome on a scale comprising 100 equal groups. See also Quartile.
<b>Performance Management</b>	A form of analysis that attempts to compare investment manager performance. It can be critically affected by the time period selected and while some attempts have been made to look at risk adjusted returns, generally it is very difficult to assess the quality of those returns. Good performance measurement should include: analysis of performance over a business cycle (typically 3-5 years) and assessment of returns on a quarterly basis, ideally by sectors as well as total returns; ensuring that like is being compared with like – the best way to do this is to look at each manager's benchmark, or risk profile, and compare performance against the benchmark, preferably on a sector basis; and analysis of the reason for any extreme out-or-under performance in a given period (e.g. whether a large overweight position exists in one or a few securities or a sector).

<b>Performance to date</b>	The performance of an investment over a given period of time calculated to the most recent update date.
<b>Performance Since Launch</b>	The performance of an investment or fund since inception to the given date.
<b>Persistence</b>	A measure of how long a policy holder keeps their policy with an insurer.
<b>Personal Allowance</b>	The level of income above which income tax starts to be levied.
<b>Personal Equity Plan (PEP)</b>	Introduced in 1987 and designed to promote saving by UK investors who are 18 or over. A limited amount could be invested each year. Personal Equity Plans (PEPs) are simple, flexible investment plans which invest in the stockmarket and benefit from special tax advantages. There is no minimum or maximum period for which investments must be held. These plans were replaced by ISAs from April 1999. All reclassified as Stocks and Shares ISA or Cash ISA from April 2008, with new rules applying. (NISA from 1 <sup>st</sup> July 2014).
<b>Personal Pension Plan</b>	An arrangement, often in the form of a policy from a life insurance company, under which individuals can make contributions without the need for employer contribution.
<b>Policy</b>	A document giving all of the details of the agreement between the insured and the insurer.
<b>Policy Conditions</b>	The 'small print' of a policy, which sets out the rights and responsibilities of the parties involved.
<b>Policy Fee</b>	Generally an administration fee usually charged monthly or annually.
<b>Policy Holder</b>	Generally taken to mean the owner of the policy.
<b>Political Risk</b>	The uncertainty in return on a foreign investment due to the possibility that the foreign government might take actions which are detrimental to the investor's interests.
<b>Pooled Investments</b>	Any form of investment in which a number of individuals place their money with a professional manager to manage the total fund on their behalf and produce a return to them individually. Also known as Collective Investment.

<b>Portfolio</b>	The collection of investment holdings of a particular investor usually with reference to its composition – i.e. the mix of different classes of securities, such as bonds, property, shares and cash, or if in a single asset class, the mix of different sectors and stocks.
<b>Portfolio Construction</b>	The process of identifying which asset classes to invest in, and in what proportions.
<b>Portfolio Manager</b>	A person or organisation engaged to manage investment portfolios and make investment decisions on behalf of others. Also known as an Investment Manager.
<b>Portfolio Optimisation</b>	The process of selecting an investment portfolio that minimises risk for a given level of return, taking account of a) expected return; b) variances of expected return; and c) covariance of return with every other security under consideration.
<b>Position</b>	The total of an option trader's open contracts in a particular underlying security; A market commitment. For example, a purchaser of a futures contract has a long position, while a seller of a futures contract has a short position.
<b>Positive Periods</b>	The number of months over the last 12 months that a fund has grown in value.
<b>Potentially Exempt Transfer</b>	Gifts on which Inheritance Tax will not be payable unless the donor dies within seven years.
<b>Pound Cost Averaging</b>	The term used to describe the effect of paying a fixed regular amount into a unitised investment fund where the value of units fluctuates. The amount will purchase more units when prices are low and vice versa. Over the longer-term, the average cost per unit is likely to be lower than the average unit price over the period.
<b>Power of Attorney</b>	A Power of Attorney is a legal document whereby one person (the "Donor") gives another person or persons (the "Attorney") the power to act on his or her behalf with regard to his or her property and financial affairs.
<b>Preference Shares</b>	Shares which rank before ordinary shares in the event of liquidation of the issuing company and usually receiving a fixed rate of return on the unfranked investment. See also Ordinary Shares.
<b>Premium</b>	The amount of money an individual pays into a saving or investment product, as either a lump sum or a regular payment.

<b>Premium Frequency</b>	How often the premium is paid, e.g. monthly or annually.
<b>Present Value</b>	The current value of an investment which matures in the future, after discounting the maturity at an assumed rate of interest and adjusting for the probability of its payment or receipt.
<b>Preserved Benefits</b>	When leaving employment after at least two years as a member of an Occupational Pension Scheme, pension benefits accrued to date must be preserved within the scheme or transferred to another pension scheme. If less than two years 'service, members of the pension scheme can take a refund of any personal contributions, less certain deductions. Since April 2006, the two year period has been reduced, subject to the member's consent.
<b>Price Series</b>	A fund may have a number of price series assigned to it. Each one will generally have a different charging structure which will give rise to different prices over a period of time.
<b>Price-Earnings Ratio (PR)</b>	A stock's market price divided by its current or estimated future earnings per share; a fundamental measure of the attractiveness of a particular security versus all other securities as determined by the investing public. The lower the ratio relative to the average of the stockmarket, the lower the (market's) profit growth expectations. Also called Earnings Multiple.
<b>Primary Market</b>	The market in which securities are sold at the time they are first issued. (As opposed to Secondary Market).
<b>Primary Protection</b>	A pension scheme member who may have pension rights valued in excess of the lifetime allowance can safeguard some or all of their accrued benefits against a tax charge.
<b>Private Sector</b>	The part of the economy owned/operated by corporations and individuals outside the public sector. Split by economists into households and business.
<b>Privatisation</b>	The alteration of the legal and management structure of a Government trading body (e.g. a statutory authority) to permit private equity or ownership.
<b>Profit and Loss Account</b>	A financial statement showing the earnings and expenses of a company over a given reporting period (as distinct from a balance sheet, which shows the company's assets and liabilities at a set point in time).

<b>Program Trading</b>	A synonym for index arbitrage, or for package trading.
<b>Property</b>	In the finance industry, the term refers to real estate including land and buildings that can be bought, sold or leased.
<b>Protected Rights</b>	If you're employed you can normally contract out of State Second Pension. One option is to contract out using a Personal Pension, Stakeholder Pension or a Money Purchase Occupational Scheme. This means that you give up your right to benefit from State Second Pension for the period you are contracted out. As a result, your State Second Pension benefit will be reduced. In return, the Inland Revenue sends your selected pension provider a rebate of part of your own and your employer's National Insurance contributions. These are invested in your plan and the fund that this produces is called Protected Rights. There are special rules about the benefits you can get from Protected Rights and when they can be taken e.g. you cannot usually take your Protected Rights benefits before age 60. (Protected rights now treated like ordinary pension money).
<b>Protection Overlay</b>	A portfolio management technique by which an investment manager aims to protect the capital value of a portfolio through risk management techniques, such as dynamic hedging.
<b>Proxy</b>	A written authorisation given by a shareholder to someone else to vote his or her shares at a shareholder's meeting. Fund management agreements often delegate the authority to the investment manager to exercise proxy votes on behalf of the client. See also Corporate Governance.
<b>Public Sector</b>	The part of the economy which is made up of Government enterprises and activities. The public sector includes public service departments, essential services such as health, education, transport and defence. See also Private Sector.
<b>Purchased Life Annuity</b>	An Annuity bought with private savings (not pension savings). Part of the Annuity is deemed to be interest paid on the capital and is taxed. The other part is considered to be a return of capital and so escapes tax.
<b>Put Option</b>	An option giving its purchaser the right, without the obligation, to sell an asset at a specified price (the exercise price) at any time between the purchase of the option and its expiry date. See also Call Option.

## Q

### Qualifying Policy

A Qualifying policy is a policy which pays out its proceeds free from personal taxation. In order to qualify it needs to adhere to the following Qualifying rules.

- The premiums must be payable for ten years or 75% of the term whichever is the shorter.
- The premiums must be paid regularly on an annual or more frequent basis such as monthly.
- The sum assured must be at least 75% of the total premiums payable over the life of the policy.
- The plan must be certified by the Inland Revenue.

### Quantitative Management

An approach to investment management which seeks to use statistical or numerical methods to create efficient portfolios, with the optimum risk/return trade-off. Quantitative managers generally attempt to add value by exploiting pricing anomalies, or by providing particular levels of risk control, rather than by subjective forecasting of market behaviour.

### Quartile

The division of a spread of values divided into four. A statistical division generally used in financial services to denote performance of, say, a particular type of fund. Comparisons of similar funds are shown in a league table, which is divided into four quarters or quartiles.

## R

### Rally

A brisk rise following a decline in the general price level of the market or an individual share.

### Range

The difference between the highest and lowest prices recorded during a given trading session, week, month, year etc.

### Rate of Return

The yield earned in relation to a capital amount invested.

### Real Estate

Property in land, building or housing, as distinct from personal property (e.g. cars); also known as physical property to distinguish itself from Property Trusts.

### Real Interest Rate

The nominal interest rate less the prevailing rate of inflation.

<b>Realise</b>	To sell an asset (usually when it appears to have appreciated to the maximum extent that can be reasonably expected).
<b>Real Return</b>	An inflation-adjusted return.
<b>Rebate</b>	The return of a proportion of a payment which effectively reduces the total outlay or obligation.
<b>Rebate-only Personal Pension</b>	A Personal Pension which is made up solely of the National Insurance rebates, payable by the Inland Revenue, where the member has elected to contract out of SERPS or the State Second Pension. (Now defunct)
<b>Record Of Payments Due</b>	Produced by an employer, it records how much they and their employees will contribute to the designated stakeholder pension scheme.
<b>Redemption Fee</b>	A fee charged for the redemption (i.e. withdrawal/cashing in) of units in a unit trust. Also known as Back-end Load.
<b>Redemption Penalties</b>	A penalty that has to be paid when a customer decides to move lender. Usually they apply within the term of a fixed rate, capped or discounted mortgage.
<b>Redemption Yield</b>	The Redemption Yield shows what the total return on a bond would be if held to its maturity date. It reflects not only the interest payments a bondholder will receive, but also the gain/loss he will make when it matures.
<b>Reduced Allocation</b>	Method of recouping initial expenses when setting up a unit-linked policy, whereby only a proportion of the investment is allocated to the policy for the first few years.
<b>Reduction In Yield</b>	The amount by which an insurance company 's charges can be expected to reduce the investment return on a policy.
<b>Reflation</b>	Restoration of deflated prices to a desirable level. When Governments reflate, additional money is printed, adding to the supply of money in circulation.
<b>Repurchase Agreement (Repo)</b>	An agreement under which authorised dealers in the short-term money market transfer securities to the Reserve Bank in exchange for cash, on the basis that the transaction will be reversed at a later date on the agreed terms. The transaction can also occur in the opposite fashion (reverse repo). The main purpose of these arrangements is to allow the Reserve Bank to manage liquidity in the money market.

<b>Reserves</b>	The proportion of a company's profit not distributed to shareholders as dividends; An account kept aside by the trustees of a pension fund to cover declines in asset values or investment returns.
<b>Retail Price Index (known as RPI)</b>	A monthly indication of the average price changes to a particular 'basket' of consumer goods, and used as a general indicator of price inflation.
<b>Retained Benefits</b>	Pension benefits earned in previous employment that are taken into account when determining Inland Revenue limits for a member of an Occupational Pension Scheme.
<b>Retirement Annuity</b>	An annuity contract offered by insurance companies for individuals not in pensionable employment or the self employed which is approved under Chapter II part XIV of ICTA 88.
<b>Retirement Date</b>	This is the date that you choose to retire at.
<b>Return</b>	The amount of money in income and capital growth received annually from an investment, usually expressed as a percentage.
<b>Risk</b>	In its simplest sense, risk is the variability of returns. Investments with greater inherent risk must provide higher expected yields if investors are to be attracted to them. Risk can take any forms, but a major one is valuation risk – paying too much for an asset. See also Currency Risk, Exchange Rate Risk, Market Risk, Political Risk, Volatility.
<b>Risk Evaluator</b>	See Fund Risk Number.
<b>Risk-Free Asset</b>	An investment with no chance of default, and a known or certain rate of return.
<b>Risk Management</b>	The monitoring and controlling of various risk factors in an investment portfolio with the aim of minimising volatility of investment returns.
<b>Risk Premium</b>	The extra yield over the risk free rate demanded by investors to compensate them for holding a riskier asset. This is an extremely important concept in relation to setting a long-term asset mix. See Equity Risk Premium.
<b>Risk Return</b>	Risk is a measure of the variability of return. Return, in financial terms, represents the profit - in the form of income and capital appreciation on an investment. The Risk / Return trade off is where an investor is willing to accept greater risk in order to pursue greater returns.

<b>Roll-over Relief</b>	A tax concession, which allows investors and businesses to defer the payment of Capital Gains Tax. For example, if proceeds from the sale of a fixed asset are reinvested, Capital Gains Tax is not payable until the new asset is sold.
<b>Roll-up Funds</b>	An Offshore Investment fund that does not distribute its dividends. An important definition for classification and taxation purposes.
<b>Running Yield</b>	Equal to the annual income payable on a bond as a percentage of its current market price.
<b>R-Squared</b>	The percentage of a portfolio's total return explained by market movements.
<b>S</b>	
<b>S2P</b>	State Second Pension
<b>S &amp; P 500</b>	A United States stockmarket index, maintained by Standard & Poors.
<b>Salary Sacrifice</b>	A tax-efficient method of increasing the money paid into a pension scheme by giving up existing salary or proposed salary increases, so that the sum foregone can be used as an additional company contribution into a pension scheme.
<b>Satellite Funds</b>	These funds are often used to complement the Core Funds in an investor's portfolio. They tend to be more specialised and have a higher risk/return profile.
<b>Scattergram</b>	A graph illustrating the annualised risk and return performance of a fund or investment manager for a specific period (greater than one year). Risk is measured by standard deviation on the horizontal axis with return on the vertical axis. A point of risk and return for each fund or investment manager is plotted, creating a number of scattered points.
<b>Schedule Of Contributions</b>	Produced by the scheme actuary, it shows the trustees of a defined benefit scheme how much the employer and employees will contribute.
<b>Scheme Specific Funding</b>	The successor to the minimum funding requirement. A defined benefit scheme is required to have sufficient and appropriate assets to meet its liabilities.
<b>Screening</b>	Examination of various securities, usually through computer models, to identify certain predetermined factors such as valuations, earnings, liquidity, etc, with a view to the inclusion of those securities in an investment portfolio.

<b>Secondary Market</b>	Any market in which existing securities are traded (as distinct from the primary market, in which securities are first issued). The Stock Exchange is the secondary market for share trading.
<b>Section 226 (Retirement Annuity)</b>	Prior to 1 July 1988, people not in pensionable employment (employment where no pension scheme exists) or people who were self-employed were able to qualify for tax relief for contributions made to a pension scheme known as a Retirement Annuity under Section 226 of the Income and Corporation Taxes Act 1970. This was the forerunner to the Personal Pension Scheme.
<b>Sector</b>	A sector is a grouping of funds with a similar investment objective and make up.
<b>Sector Averages</b>	Sector Averages denote the average performance of all funds within a particular sector. Sectors are governed by the Association of British Insurers for Life and Pension funds and by the Investment Management Association (IMA).
<b>Sector Index</b>	The sector performance shown on fund factsheets takes into account the contributions of all existing funds the sector comprises of and is therefore referred to as the 'sector index'. This is a more accurate way of representing the sector performance over time. As a result, the sector index performance may not match the straight average of the existing sector members, as the latter will not take into account the performance of new funds which have entered the sector during the nominated performance period and which would have affected the sector index performance. Over a long period these differences will be cumulative, resulting in wider divergence between the sector index and the straight sector average. Occasionally, the sector index figures may fall outside of the maximum and minimum performances of the current inhabitants of the sector.
<b>Sector Risk Number</b>	These numbers are used to compare the volatility of fund sectors.
<b>Section 32</b>	Used widely to describe a buy out bond issued under Section 591 (2) (g) of ICTA 88.
<b>Security</b>	In relation to financial markets, the paper right to a (generally tradeable) asset. In this context the term includes Bills of Exchange, bonds, share certificates or any other interest-bearing paper traded on financial markets; An asset pledged to ensure the repayment of a financial obligation (e.g. loan), and forfeited in the event of a default on that obligation.

<b>Securities</b>	A term used to describe stocks and shares.
<b>Segregated Fund</b>	Pension scheme investments managed along side, but separately from, other investments under control of a particular manager
<b>Self-Invested Pension Plan (SIPP)</b>	A type of personal pension plan that gives an individual more investment control.
<b>Seller's Market</b>	A condition of the market in which there is a scarcity of goods available, and hence, sellers can obtain better conditions for sale or higher prices. (As opposed to Buyer's Market).
<b>Selling (Bid) Price</b>	The price at which you can sell Shares or units in a Unit Trust or units in a life policy.
<b>SERPS</b>	Part of an employee's National Insurance contributions goes into SERPS (State Earnings-Related Pension Scheme), which is paid on top of the Basic State Pension on retirement. The SERPS pension, payable when you reach State pension age, depends on your earnings while you were in employment and the National Insurance contributions paid. SERPS is paid in addition to the Basic State Pension. This was replaced by the State Second Pension in April 2002
<b>Settlement</b>	In relation to share trading, an arrangement between brokerage houses for the payment or receipt of cash or securities. It represents the final consummation of a securities transaction and is handled through a clearing house.
<b>Settlement Date</b>	The date on which the final consummation of a securities transaction takes place and payment is made.
<b>Settlement Risk</b>	In relation to foreign exchange transactions, the exposure of one party to another on the value date of the contract. It is the risk that one party, having received settlement of one currency amount from the counterparty, is unable to effect settlement of the other currency amount.
<b>SFC Recognised</b>	Indicates that a fund is regulated by the Securities and Futures Commission of Hong Kong.
<b>Share</b>	The ownership of part of a company; a contract between the issuing company and the owner of the share which gives the latter an interest in the management of the corporation, the right to participate in profits and, if the company is dissolved, a claim upon assets remaining when all debts have been paid. See also Equity.

<b>Share Capital</b>	The money paid (subscribed) for ordinary and preference Shares in a limited company. Authorised share capital means the total amount of Shares available to be issued. Issued share capital relates to the total amount of Shares actually subscribed for.
<b>Share Certificate</b>	A piece of paper representing legal evidence of ownership of a stipulated number of shares in a company. Also known as Scrip.
<b>Share Exchange</b>	Owners of Unit Trusts may use Shares they already own to make an investment without having to sell them first. This saves dealing charges.
<b>Share Holder</b>	The owner of one or more issued shares of a company who is normally entitled to: a proportionate share of the issuing company's undivided assets; dividends when declared by the directors; and the right of proportionate voting power.
<b>Share Option</b>	An offer by a company, usually to its employees and directors, to buy its Shares at a given price, before a specified date. A number of approved share option schemes offer tax-free capital growth.
<b>Share Price Index</b>	An index measuring movements in the price of shares, but not of their dividends (as opposed to an Accumulation Index, which measures movements in both price and dividend income).
<b>Share Register</b>	A register recording all of a company's shareholders and the number of shares they each hold.
<b>Shares</b>	Sold by a company to raise money. Shares give the owners an interest in the company and a right to share in the profits
<b>Sharpe Ratio</b>	A statistical measure which attempts to show the performance of a portfolio's return in risk adjusted terms. It is calculated by dividing the portfolio's excess return over the risk-free rate by the risk (i.e. standard deviation) of portfolio returns. The higher the Sharpe Ratio, the better the portfolio's return in risk adjusted terms. A Sharpe Ratio higher than one can be considered to be very good, while a ratio below 0.1 shows that the portfolio has been poorly rewarded for the risk undertaken.
<b>Short Position</b>	An excess of sales over purchases of a relevant commodity, currency or investment instrument (As opposed to Long Position).

<b>Shorts</b>	Bonds or Gilts that have a redemption date within five years. Some institutions use seven years as the cut-off date.
<b>Short Selling</b>	The sale of a security that is not yet owned, in the expectation that its price will fall so that it can be bought back at a later date.
<b>Short Term Annuity</b>	A temporary annuity that runs for no longer than 5 years. Allows an individual to draw an income whilst deferring purchasing a full annuity. Available between 50 and 75.
<b>Single Life Pension</b>	A pension that is paid for the lifetime of the policy holder only.
<b>Single Premium</b>	A one off payment into an insurance policy or pension.
<b>Single Price</b>	This refers to the range of Skandia pension funds where the pricing does not include an initial charge, and hence buying and selling takes place at the same single price of the fund.
<b>Single Pricing</b>	Single pricing means that there is just one price for both buyers and sellers of the units or shares. This contrasts with dual pricing where there is one price for sellers and a higher price for buyers, sometimes known as a bid / offer spread.
<b>Smaller Companies</b>	Generally, companies with a market capitalisation of less than US\$1 billion or the bottom 25% of the market, although definitions differ.
<b>Small Gifts Exemption</b>	An annual Inheritance Tax (IHT) allowance, enabling a donor to give up to £250 per year to any number of separate individuals (donees).
<b>Small Self-Administered Scheme (SSAS)</b>	An occupational pension scheme, usually for small businesses, that gives members more investment control.
<b>Soft Dollars</b>	Payment for research-related services by commissions generated from trading rather than fees.
<b>Specialist Manager</b>	An investment manager which confines its investment activity to specific asset classes (e.g. equities, fixed interest, property, overseas shares, etc.) instead of (or as well as) balanced funds. See also Balanced Manager.
<b>Specific Risk</b>	Uncertainty in the return of a share arising from factors that are specific to the company concerned. It is unrelated, or, at most, distantly related, to events that impact on other comparable firms or the market as a whole. Unlike market risk, specific risk can be diversified away.

<b>Spread</b>	In relation to share, bond and currency markets, the difference between the bid price and the ask (offering) price, incorporating both an estimate of demand and potential profit for the seller; In relation to unit trusts, the difference between the allocation of redemption price of units, as a result of transaction costs incurred in buying and selling the underlying securities which make up the value of the trust. In relation to option markets, the holding of a long position and an offsetting short position, usually in contracts with the same underlying security or asset.
<b>Stag</b>	An investor in the share market who aims for quick gains by subscribing to new share issues and then selling once the shares commence trading on the exchange.
<b>Stakeholder Designation</b>	The process followed by an employer who is not exempt from the employer access requirements. The employer must choose a stakeholder pension scheme and provide access to his employees
<b>Stakeholder Pension</b>	Stakeholder pensions were introduced from 6 April 2001. The Government has laid down minimum standards to ensure that all Stakeholder pensions meet the same basic criteria for payments, costs and terms.
<b>Stakeholder Pension Scheme</b>	A type of personal pension plan, offering a low-cost and flexible alternative and which must comply with requirements laid down in legislation.
<b>Stamp Duty</b>	A tax on the purchase of shares – at 0.5% of the value – and on the purchase of property. For shares the tax is a flat rate.
<b>Standard Deviation</b>	A statistical measure of the dispersion of a set of numbers around a central point. If the standard deviation is small, the frequency of distribution is concentrated within a narrow range of values. For a 'normal' distribution, about two thirds of the observations will fall within one standard deviation of the mean. Standard deviation is a commonly used measure of risk because the higher the standard deviation the higher the uncertainty of the return. As standard deviation measures the volatility of investment returns, it is an important measure of risk. Also known as Standard Error.
<b>State Graduated Pension Scheme</b>	Alternative name given to the state additional pension between April 1961 and April 1975.

<b>State Pensionable Age</b>	Fixed retirement ages for men and women, currently 65 and 60 respectively. To be equalised to 65 for men and women, by April 2020 (with ten years 'phasing-in from 2010). This is the age at which State benefits may be taken as pension income.
<b>State Pension Schemes</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Basic State Pension –if you have a full National Insurance contribution record you are entitled to the full Basic State Pension.</li> <li><input type="checkbox"/> SERPS –depends on your earnings while you were in employment and the National Insurance contributions you paid. SERPS is paid in addition to the Basic State Pension .The self-employed do not qualify for this pension.</li> <li><input type="checkbox"/> State Second Pension –this replaced SERPS in April 2002. More help will be given to the lowest earners.</li> </ul>
<b>Statement Of Funding Principles</b>	A statement in which the trustees of a defined benefit scheme set out how the statutory funding objective will be met.
<b>Statutory Funding Objective</b>	The trustees of a defined benefit scheme must ensure that the scheme's liabilities are covered by appropriate and sufficient assets.
<b>Statutory Money Purchase Illustration (SMPI)</b>	Annual statements issued to defined contribution scheme members, giving forecasts of benefits now and at retirement (in today's terms).
<b>Stock</b>	A generic term for equities (shares) and, less frequently, bonds. See also Security.
<b>Stock Broker</b>	A professional person who buys and sells securities on behalf of others in return for a commission (or brokerage).
<b>Stock Exchange</b>	A market where stocks and shares are bought and sold.
<b>Stock Market</b>	A place where Shares or other securities are bought and sold e.g. the London Stock Exchange.
<b>Stockbrokers</b>	Agents who buy and sell stocks and shares for customers.
<b>Stocks and Shares</b>	A stock generally refers to fixed interest securities, usually issued in denominations of £100.Share is sold by a company to raise money. Shares give the owners an interest in the company and a right to a share in the profits.

<b>Stock Selection</b>	The selection of an individual security within an asset class. For example, stock selection in relation to equity investments is made after analysing the financial standing, future earnings prospects and valuation of the shares of the company concerned. Along with asset allocation, stock selection is a key way in which investment managers add value.
<b>Strategic Asset Allocation</b>	The composition of the asset mix within a portfolio, constructed with the objective of meeting the long-term views of relative performance of the various asset classes. Usually a benchmark is derived in this fashion. See also Asset Allocation, Tactical Asset Allocation.
<b>Subscription</b>	An agreement to purchase a certain offering, e.g. a certain number of shares for a stipulated price. Such an offer is not binding unless accepted by the properly authorised representatives of the issuer. Also used as a term for payments into Skandia MultiFUND products.
<b>Subsidiary</b>	A company which is wholly or partly owned by another company but which (unlike a branch office) is still a distinct legal entity responsible for its own tax, regulatory compliance, etc.
<b>Sum Assured</b>	The guaranteed amount paid on death or maturity under a life assurance policy.
<b>Sum Insured</b>	For non-life insurance it is the maximum amount the insurance company will pay out for a claim. For life assurance it is the amount that is guaranteed to be paid on death to which bonuses may be added.
<b>Superannuation</b>	A means of setting aside funds during working life for use as retirement income, under a regulatory system which provides certain taxation incentives and prudential controls for the benefit of contributors. See also Pension.
<b>Surrender Value</b>	The amount of money that will be paid to a policy holder if they discontinue a policy before it matures. The benefits the customer usually receives are reduced because of the effects of the charges.
<b>Swap</b>	An interest rate, currency or equity exchange transaction involving two parties. In the case of an interest rate swap, one party is obliged to pay a fixed interest rate to the other party in return for a floating interest rate. In the case of a currency swap, one party is obliged to make payments in another specified currency.

<b>SWIFT</b>	Abbreviation for Society for Worldwide Interbank Financial Telecommunication. A non-profit Electronic Trade Confirmation System that provides secure messaging services and interface software to financial institutions globally.
<b>Switching</b>	Transferring sums of money from one unitised fund to another. This is usually done on a bid-to-bid basis to avoid 'new money' charges when buying units at the offer price.
<b>Switching Facility</b>	The ability to transfer units between two funds or components of a unit trust or life policy.
<b>Systematic Risk</b>	One of the components into which the risk of an asset, as defined by its price volatility, is usually divided - the other is specific risk. The systematic risk is the portion of the risk that relates to the movements in the underlying market of which this asset forms part. Systematic risk is normally measured in terms of beta. It should not be confused with systemic risk.
<b>Systemic Risk</b>	Risk pertaining to the fundamentals of a system as a whole – e.g. in the case of banking, the risk of failure of the Payments System or, in the case of property, a collapse of valuations owing to there being no buyers in the market. Systemic risk should not be confused with systematic risk, which relates to risks associated with individual securities rather than markets as a whole.

## T

<b>Tactical Asset Allocation</b>	A process by which the asset allocation of a fund is changed on a short-term basis to take advantage of perceived differences in relative values of the various asset classes. A variation of asset allocation around a benchmark. See also Strategic Asset Allocation.
<b>Tactical Asset Allocation Overlay</b>	A portfolio management technique, managed on an overlay basis, which gains exposure to the same asset classes as the total fund, through derivatives rather than physical securities, with the aim of taking advantage of short-term movements and opportunities in the markets. Use of a tactical asset allocation overlay manager can allow for a fund to take advantage of that manager's asset allocation skills without them necessarily being responsible for ongoing management of the underlying assets. See also Overlay Manager.
<b>Takeover</b>	The acquisition of shares by one company in another so as to gain a controlling interest.

<b>Taper Relief</b>	Taper relief was introduced into the UK taxation regime with effect from 6 April 1998. Its purpose is similar to indexation, in that it aims to reduce the amount of Capital Gains Tax you have to pay when you sell Shares, to account for the effect of inflation.
<b>Tax Credit</b>	The amount an ISA manager can reclaim from the Inland Revenue in respect of share dividends received. This is 10% of the amount received until April 2004, when it will no longer be available.
<b>Tax Exempt</b>	Referring to income which is not liable for tax in the hands of the recipient. Referring to a fund which does not incur tax on its income, by virtue of its beneficiaries being a specialised class of persons, e.g. a charitable organisation.
<b>Tax Relief</b>	Amounts which you can deduct from your annual income to reduce the amount on which you have to pay tax. For instance, if your income before deduction of reliefs is £20,000, and you made pension contributions in the year of £1,000, you could deduct £1,000 from £20,000 to produce a total income for tax purposes of £19,000. That is because pension contributions are payments on which the Inland Revenue allows you to get relief.
<b>Tax Year</b>	A period of time used for tax calculations. It starts on 6 April each year and finishes on 5 April the following year.
<b>Technical Analysis</b>	An approach to the analysis of stock and futures and their future trends which examines the technical factors of market activity, often represented by charting patterns, as contrasted with fundamental analysis. Technical analysts normally examine patterns of price change, rates of change, and changes in volume of trading and open interest, in the hope of being able to predict and profit from future trends. Some investment professionals are sceptical of the predictive ability of technical analysis, but most managers keep an eye on the charts anyway.
<b>TER</b>	See Total Expense Ratio.
<b>Term Assurance</b>	A simple life assurance policy that pays out on death of the customer during the time period specified by the policy.
<b>Term Deposit</b>	A deposit with a financial institution for a fixed period and a rate of interest which applies for the duration of the deposit.
<b>Testate</b>	A person who dies having made a will is described as 'Testate'

<b>Thematic Manager</b>	An investment manager who utilises macroeconomic research and expertise to develop themes to influence its asset allocation decisions. The aim of thematic managers is to identify those factors in the market which will have an influence on companies' profitability and on the market's perception of relative values.
<b>The Pension Service</b>	A part of the DWP. Responsible for administering and paying the state pension
<b>The Pensions Advisory Service (TPAS)</b>	An independent, government funded body that provides general information about pensions to the public and also helps resolve pension disputes through mediation and conciliation.
<b>The Pensions Regulator (TPR)</b>	A government body that regulates the running of occupational pension schemes.
<b>Tied Agent</b>	A sales person who sells the policies of only one insurance company. Some sales people are tied to several companies –this is known as a multi-tie.
<b>Tiger Economies</b>	A term for those Asian economies characterised by rapid growth and industrialisation since World War II. These countries include Taiwan, Singapore, South Korea and Hong Kong. See also Emerging Markets.
<b>Tillinghast Towers Perrin</b>	The Tillinghast business of Towers Perrin provides global actuarial and management consulting to insurance and financial services companies. (Now Towers Watson).
<b>Tilt</b>	The adoption of a particular view on a sector by over-weighting a portfolio in the direction of that sector, (e.g. a portfolio with a high level of resource shares and low level of industrials would be described as having a resource tilt). Such a technique is commonly employed by index fund managers when clients indicate a desire for above-index returns.
<b>Time Horizon</b>	The period of time over which an investment objective is to be realised. Time horizon is a critical factor for all investors in determining the types of investments they should make or, at least, the amount of risk they are prepared to carry. The investments made to provide for future retirement income, for instance, would almost always be different from those for short-term purposes.
<b>Timing</b>	The art of deciding upon the exact moment to buy or to sell.

<b>Top Down Analysis</b>	A country's economy is considered before deciding which industry in which to invest. Economic conditions determine which industries or sectors will return well and then attractive stocks are bought within those industries.
<b>Topix</b>	Abbreviation for Tokyo Price Index. A Japanese share price index measuring share prices of selected large companies listed on the Tokyo Stock Exchange.
<b>Top Slicing</b>	A method of calculating Income Tax liability on a chargeable gain from certain packaged products.
<b>Total Expense Ratio (TER)</b>	The Total Expense Ratio (TER) represents the true cost of running a fund. It includes the fund AMC as well as the depository and custodial charges, and audit, registration, and compliance fees.
<b>Total Return</b>	The aggregate increase or decrease in the value of a portfolio resulting from the net appreciation (or depreciation) of the principal of the fund, plus or minus the net income (or loss) experienced by that fund during the period.
<b>Tracker Funds</b>	Aim to mirror or 'track' the performance of any of a number of worldwide stock market indices, such as the FTSE 100 Index-see passive management.
<b>Transfer Payment</b>	Payment made from a pension scheme to another pension scheme, in lieu of benefits which have accrued to the member, to enable the receiving scheme to provide alternative benefits. The amount transferred is known as the transfer value.
<b>Tracking Error</b>	The degree of proximity with which an actual portfolio follows a representative market index. Technically the tracking error is represented by the standard deviation of the differences in return between the portfolio and the index. Tracking error measures the likelihood (based on historical data) of actual returns differing from index returns.
<b>Trader</b>	A person who actively buys and sells securities for his or her own account, usually with relatively short time horizons.
<b>Transaction Notes</b>	Costs associated with managing a portfolio, notably brokerage costs and stamp duties.
<b>Transfer of Undertakings (Protection of Employment) (TUPE)</b>	Provides pension protection for employees whose employment is transferred from one employer to another.

<b>Transitional Protection</b>	Comes in two forms - primary and enhanced. Allows an individual to protect accrued pension rights that may exceed the lifetime allowance, thereby avoid a tax charge on the excess.
<b>Treasuries</b>	Negotiable debt obligations of the US government. See Treasury Bills, Treasury Bonds, Treasury Notes.
<b>Treasury Bills</b>	Short term negotiable debt obligations of the US government with maturities of one year or less issued at a discount from face value.
<b>Treasury Bonds</b>	Long term negotiable debt obligations of the US government with maturities of 10 years or longer.
<b>Treasury Notes</b>	Intermediate term negotiable debt obligations of the US government with maturities of 1 to 10 years.
<b>Trend</b>	A persistent and pervasive direction, upwards or downwards, of commodities, prices, earnings, etc. over a period of time.
<b>Triviality</b>	Allows an occupational pension scheme member to withdraw all pension benefits as a lump sum. Member must be at least 60 and have total pension rights valued at less than 1% of the lifetime allowance
<b>Trust</b>	A legal obligation binding a person (the trustee) to deal with property over which he has control for the benefit of certain people (the beneficiaries) of whom the trustee may himself be one.
<b>Trust Deed &amp; Rules</b>	<p>The legal document that sets up an occupational pension scheme and defines how it should be operated.</p> <p>An individual, group of people or independent institution responsible for the management of the trust as defined by the trust deed. The trustees have the power to veto any investment which they feel does not adhere to the trust deed.</p>
<b>Trustee</b>	A person or company that has legal responsibility for financial aspects (receipts, disbursements and investment) of funds; A trust company which acts in a capacity of trust as a fiduciary and to whom assets have been conveyed for the benefit of another party. The Trustee in this case oversees the behaviour of the manager in relation to the operation of a unit trust.

<b>Trustee in Bankruptcy (TIB)</b>	Responsible for the administering the assets and liabilities of a bankrupt.
<b>Turnover</b>	In relation to investment portfolios, the rate at which securities within a portfolio are exchanged for other securities of the same class; In relation to investment markets, the level of trading that occurs.
<b>U</b>	
<b>UK Resident (for tax purposes)</b>	<p>If you are physically present in the UK for six months in a tax year then you will be resident in the UK and taxable on your income and capital gains.</p> <p>If you are in the UK for less than six months you may still be taxable. If you are abroad only temporarily, or if you spend an average of three months a year in the UK for four years, you will be treated as ordinarily resident and therefore taxable.</p> <p>If you regard the UK as your home you will be classed as UK domiciled. You can be a resident abroad but, if you consider the UK to be 'home' you will still be domiciled in the UK. If you die, all of your assets anywhere in the world will be chargeable to Inheritance Tax (IHT). If you are not domiciled in the UK, only your UK assets will be chargeable to IHT.</p>
<b>Unbundled</b>	Referring to the structuring of a product or service where the individual components involved in the management of that product are split out with separate fees usually applying. For example, an unbundled pension arrangement might involve separation of investment management, trusteeship and insurance arrangements among different parties. (As opposed to Bundled).
<b>Under Funded</b>	Generally refers to the valuation of a Final Salary Occupational Pension Fund where the actuary perceives that there are insufficient funds to support liabilities within the investment review period.
<b>Under Insured</b>	When the maximum sum a company will pay out to cover a claim is less than the value of the loss or damage.
<b>Underlying</b>	index to be delivered in the event an option is exercised. The term underlying is often used as a noun in its own right, as well as an adjective.
<b>Underlying fund</b>	This is the legal entity fund(s) that your investment choice is invested in.

<b>Underlying Inflation</b>	A calculated measure that takes the headline inflation rate and excludes certain volatile items or series that are affected by factors other than general economic conditions (e.g. government taxes, or the effect of weather on fruit and vegetable prices). The resulting rate is based on only those items directly related to the economy.
<b>Underperformance</b>	Achievement of a lower investment return than a benchmark or other measure (e.g. competitor portfolios) against which that return is being compared (As opposed to Outperformance).
<b>Undervalued</b>	Referring to a security or currency which trades below what is perceived to be its proper market value, taking account of statistical or fundamental research or other relevant information.
<b>Underweight</b>	Having a lesser exposure to a particular sector in an investment portfolio, compared with a neutral or benchmark position. (As opposed to Overweight).
<b>Underwriter</b>	An individual who decides whether or not to accept a risk and calculates the premium to be paid.  There are two definitions:
<b>Underwriting</b>	<ol style="list-style-type: none"> <li>1. Financial organisation, usually an investment bank, taking up Shares from an Initial Public Offering (IPO), not purchased by the public, for commission.</li> <li>2. Review and analysis of relevant factors affecting an insurance proposal by an Underwriter.</li> </ol>
<b>Unearned Income</b>	Income received from sources such as dividends from Shares and Bonds-income, which has not been earned by working.
<b>Unfunded Unapproved Retirement Benefits Scheme (UURBS)</b>	Now known as an EFRBS. These are unapproved schemes with no tax reliefs that an employer funds to provide a member with a lump sum and/or income.
<b>Unit Linked</b>	Where the value of the saver's fund is linked to the value of the units of the Trust or Life Company Fund it is invested in.

<b>Unit Trust</b>	An investment or company fund which pools together customers' money allowing them to increase the types of shares they can invest in, therefore improving the risk. Many unit trusts have now become OEIC's, see Open Ended Investment Companies in this glossary.
<b>Unitised With Profits</b>	Contracts where premiums are invested in units, either in the with-profits fund or in the linked funds or a mixture of both.
<b>Units</b>	When investing in a unit-linked contract, the individual's contribution is used to buy units of equal value. These units will fall or rise in line with the underlying investments.
<b>Universe</b>	A term sometimes used to describe the total number of operators or competitors in a particular field, or the number of available stocks from which a portfolio is selected. Investment manager performance surveys are also referred to in this way.
<b>Unlisted</b>	Referring to a company and/or shares that are not available for purchase or sale through the stockmarket.
<b>Unlisted Securities</b>	Securities which are not listed on an organised stock exchange.
<b>Unsecured Pension</b>	Also known as income drawdown or income withdrawal. Allows a pension scheme member to continue to invest his fund whilst drawing a limited income. Available to under 75s only.
<b>Utility</b>	A term used to describe the statutory authorities responsible for providing services to the community such as water, gas and electricity.

## V

<b>Value Added Tax</b>	A tax on individual goods and/or services, which is added on to the retail price of those goods or services.
<b>Valuation</b>	The value or worth of a portfolio of investments or life/pension policies recorded on a statement. Not necessarily the amount available if cashed-in.
<b>Value Date</b>	The official date when cash or securities are transferred, i.e. when they become good funds to the depositor.

<b>Value Investor</b>	One who seeks to buy shares when they are under priced and to take profits when they appear over valued. The Price/Earnings Ratio is a key valuation measure.
<b>Value Stocks</b>	Shares in companies that are considered to be good value. Usually they are trading at a price that is low either historically or relative to its peer group.
<b>Variable Rate Mortgage</b>	A mortgage where the interest rate can move up and down. It is usually based on base rate.
<b>Variance</b>	A measure of dispersion of returns on investments based on deviations from the average or mean value.
<b>Venture Capital</b>	Capital which is subject to more than a normal degree of risk, usually associated with a new business or venture and particularly in relation to new technology projects. Also called Risk Capital. See also Development Capital.
<b>Volatility (portfolio or fund)</b>	Volatility is a statistical method that measures how much a series of values move up and down around its average. The higher the volatility number, the less consistent the historical performance has been.
<b>Voting Right</b>	A right enjoyed by a shareholder to participate in the affairs of the company by voting at its annual meeting or other policy making forum. See also Corporate Governance, Proxy.

## W

<b>Waiver of Premium</b>	An optional feature on some life policies where the insurance company will pay the premiums if the policyholder becomes ill.
<b>Weighting</b>	The relative proportion of each of a group of securities or asset classes within a single investment portfolio. See also Overweight, Underweight.
<b>Whole Life Policy</b>	Life assurance that a customer pays throughout the whole of their life and that pays out whenever they die.
<b>Will</b>	A legal document which lays out how the estate is to be distributed after the death of the Testator. The estate is administered by Executors on death.
<b>Winding Up</b>	The process of terminating an occupational pension scheme, usually by transferring member's benefits to individual arrangements.

<b>Winding Up Priority Order</b>	The order in which members' benefits are distributed on the winding up of a defined benefit scheme with an insolvent employer and a funding shortfall.
<b>Withholding Tax</b>	The tax payable on payments such as dividends, interest and debt repayments, sent to foreign entities.
<b>With Profits Bond</b>	A single premium bond issued by a Life Company where a lump sum is paid into a with profits fund made up of shares, property, cash, fixed interest securities. With-profits bonds use a smoothing device to protect the investor from extreme fluctuations in market conditions.
<b>With Profits Policy</b>	A policy issued by a Life Company where premiums are paid into a with profits fund made up of shares, property, cash, fixed interest securities. With-profits bonds use a smoothing device to protect the investor from extreme fluctuations in market conditions.
<b>Wrap Account</b>	The name given to an individual's aggregated holdings recorded on an online Wrap Service.
<b>Wrap Service</b>	This is an internet based online service available to Financial Advisers to enable them to record details and manage their clients' holdings in an easy to use format.
<b>X</b>	
<b>Y</b>	
<b>Yield</b>	A measure of the income received from an investment compared to the price paid for the investment. Normally expressed as a percentage.
<b>Yield Curve</b>	A visual representation of the term structure of interest rates. It shows the relationship between bond yields and maturity lengths. A normal or positive yield curve signifies higher interest rates for long-term investment, while a negative or downward curve indicates higher short-term rates.

**Yield to Maturity**      The yield provided by a bond which is held to its maturity date, taking account of both interest payments and capital gains or losses.

**Z**

**Zero Coupon Bonds**      Discounted bonds which are issued with no coupon, i.e. there is no periodic income payment, and the yield to the bondholder is derived from the capital value of the bond at its maturity.

**Zero Dividend Preference Share**      A Share with a predetermined growth rate, but which does not pay dividends.