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20 Investment Terms That Every Investor Needs to Know

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Our glossary is designed to help clarify terms used in investment literature.This guide has been created for you to help make investment literature easier to understand and to clarify some of the more common terms.

Emphasis has been placed on clarity and brevity rather than attempting to cover every single complex detail. We hope you find the guide useful and simple to digest. We have made every effort to ensure that the terms are accurately described, however, the descriptions are not definitive and they may differ from other interpretations used.

Disclaimer: The investment glossary is provided for informational purposes only and under no circumstances may any information contained herein be construed as investment advice. It is meant to provide investors with quick clarification on a particular financial term. While we have made every effort to ensure that the terms are accurately described, the descriptions are not definitive and they may differ from other interpretations used.

General Investment Terms

Terms	Definition
Active Management	An investment management approach where a manager aims to beat the market through research, analysis and their own judgement.
Alpha	The return on an asset in excess of the asset's required rate of return.
Benchmark	A standard, (usually an index or a market average) that an investment fund's performance can be measured against. Many funds are managed with reference to a stated benchmark.
Beta	A measure of the sensitivity of the portfolio to the overall market.
Bid Price	The price at which a buyer is willing to pay.
Initial Charge	Fee payable upon the initial purchase of the product.
Management Fee	A fee charged by the asset manager for managing the fund.
NAV	Net asset value. Total value of a fund's assets minus it's liabilities.
Offer Price	The price at which a buyer is willing to sell.
Passive Management	An investment strategy that seeks to track the performance of an index.

Fixed Income Investment Terms

Terms	Definition
Coupon	The annual interest paid on a bond.
Junk Bond	Bonds that are rated as risky by credit agencies.
Weighted Average Credit Rating	The weighted average credit rating reflects the holdings of the underlying issues, based on the size of each holding and ratings assigned to each based on rating agency assessments of its creditworthiness.
Weighted Duration	The weighted average duration of a fund reflects the effective duration of the underlying issues, based on the size of each holding.
Weighted Yield to Maturity	The weighted average of individual constituents' yield to maturity with the weight of each constituent's fair value.

Equity Investment Terms

Terms	Definition
Market Capitalisation	The total value of all the shares outstanding of a company.
Overweight/Underweight	Overweight refers to having a greater position that the benchmark weight. The opposite applies for underweight.
P/B Ratio	The ratio of the company's share price to its book value per share. A commonly used valuation metrics.
P/E Ratio	The ratio of the company's share price to its earnings per share. A commonly used valuation metrics.
Sharpe Ratio	Subtracting the risk-free rate from the portfolio's rate of return and divide by the standard deviation of the portfolio's return. A general indicator of the fund manager's performance.

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