Glossary of terms

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A

Absolute return: A strategy that aims to deliver positive real returns on an investment, irrespective of whether markets are rising, falling or flat.

ACT: Actual.

Activated: For exotic options, this refers to a condition that, when met, activates the option or the payout (Kick In, Kick In at the End, Lock In, One Touch).

Active ownership: Active ownership activities include proxy voting (see below section P) at shareholder meetings and engagement (see below section E) with issuers, property managers, asset managers or third-party fund managers.

Active stewardship: While not equity owners, fixed-income investors can still engage with debt issuers, a practice commonly referred to as active stewardship.

Advisory focus list: Advisory focus list highlights a tactical recommendation (around three months) based on the internal analyst rating.

Alpha: The percentage performance of a financial instrument above or below that explained by its exposure to the broader market.

Alternatives: A catch-all term for assets that are not shares, bonds or cash. It can include anything from hedge funds, private assets (private equity, private real estate and private debt), managed futures, commodities and derivatives to specialised investment areas such as fine wine and stamps. Together they form their own asset class.

Alternative currency: Currency which the investment currency can be converted into under a certain scenario.

American barrier: An option can be activated or deactivated if the barrier is touched at any time during the lifetime of the option.

American-style option: With the American-style feature, the contract terms allow the option to be exercised at any point during the contract period.

Amortisation: Accounting process in which the cost of an intangible asset is spread over this asset's expected useful life. For example, if a company buys a trademark in 2015 for EUR 10,000 and expects to use it for 10 years, amortisation of EUR 1,000 is charged annually over a period of 10 years.

Analyst rating: Analyst ratings (strong buy, buy, hold, caution, sell) provide a medium-term overview (around 12 months).

Appetite for risk: Each investor will have a unique appetite for risk, or risk profile. Risk appetites should take into account both the willingness and financial ability to tolerate large swings in the value of the investment. To identify an investor's risk appetite, many factors need to be considered, such as the time horizons for the investments, the investor's age, future earning capacity and the existence of other assets such as a home or a pension.

Asset: A generic term to indicate a tangible or intangible financial resource or item. In very broad terms, it indicates anything with an economic value. When reference is made to company assets, the focus is on the combination of goods, equipment and instruments that are required for the operation of the company and make up its overall value.

Asset allocation: A strategy that aims to balance the risks and rewards required by each investor. By specifying the weightings of asset classes that are assigned to your portfolio, asset allocation can be used to tailor the portfolio's investing approach to each individual's goals. Asset allocation normally uses the three main asset types: equities, fixed income and cash; and weightings of these can be used to create more aggressive or defensive styles of investing.

Asset class: A classification of a group of investable securities that have similar characteristics. The three main asset classes are equities (stocks or shares in public companies), fixed income (bonds or debt repayments) and cash. In addition, alternatives constitute a further asset class of non-mainstream assets such as hedge funds, private assets, commodities, derivatives, wine or art, among other things.

Asset-backed bond: Claim for repayment is backed by a specific set of underlying assets. It reflects bonds that are secured by assets which are legally separated from a borrower's other assets.

ATM (at the money): A put or call option with an exercise price close or equal to the underlying security's current market value.

AT1: Additional Tier 1.

Average coupon: The average coupon shows the price weighted aggregate coupon of instruments in a portfolio.

Average yield: The average yield shows the price weighted or duration weighted aggregate yield of instruments in a portfolio.

B

Bailout: The act of providing financial support to a state or a company which faces the risk of bankruptcy. In the former case, an independent entity – such as the European Union, the International Monetary Fund or the ECB (which together are commonly referred to as the troika) – steps in to provide credit in exchange for the implementation of plans to restructure the country's debt. In the latter case, the state or a bank steps in to save a company from bankruptcy. Generally, depending on the seriousness of the situation, this objective is pursued through the injection of liquidity, the provision of ad hoc low-interest loans or tax breaks.

Balanced portfolio: An investment strategy that generally invests the portfolio assets equally between equity and fixed income and aims to achieve both capital growth from equities and income from fixed income, whilst diversifying risk over two different asset classes.

Basing process/accumulation: A consolidation in the price of a security, usually after a downtrend, before it begins its bullish phase. The resulting price pattern looks flat, or slightly rounded.

Bearish/bullish divergences on indicators (RSI, stochastic, MACD): Oscillators are most useful and issue their most valid trading signals when their readings diverge from prices. A bullish divergence occurs when prices fall to a new low while an oscillator fails to reach a new low. This situation demonstrates that bears are losing power, and that bulls are ready to control the market again—often a bullish divergence marks the end of a downtrend. Bearish divergences signify potential downtrends when prices rally to a new high while the oscillator fails to reach a new peak. In this situation, bulls are losing their grip on the market, prices are rising only as a result of inertia, and the bears are ready to take control again.

Bearish/bullish engulfing: Used in technical analysis to identify a reversal in the trading pattern. A small white body is contained within the large black candlestick (bearish). If a small black body is contained within the following large white candlestick, this is a bullish signal.

Bearish: Expecting a price to fall.

Benchmark: An index used as a yardstick against which the performance of a security, an asset or a market is measured. In asset management, benchmarks are used to measure the average risk and the return of a fund or an investment.

Beta: The average extent to which a fund's return moves relative to the broader market. A fund with a beta above 1 moves on average more than the market and below 1 moves on average less than the market.

Blended finance: The use of catalytic capital from public or philanthropic sources to increase private-sector investment in sustainable development. This includes the use of concessional finance at below-market interest rates (e.g. from development banks) designed to bridge the gap to private-sector capital for a specific objective.

BMARK/BMK: Benchmark.

BN: Billion.

Bps: Basis points.

Broker: An intermediary or advisor that buys and sells securities solely for their own clients.

BRRD: European Bank Recovery and Resolution Directive.
BoC: Bank of Canada, central bank of Canada.
BoE: Bank of England, central bank of the United Kingdom.

BoJ: Bank of Japan, central bank of Japan.

Bollinger bands: Developed by John Bollinger, a band is determined using the standard deviation from a simple moving average. Used to identify low/high volatility periods.

Bonds: A certificate of debt issued by a government or corporation with the promise to pay back the principal amount as well as interest by a specified future date.

Bond fund: A bond fund is an investment vehicle. Asset management companies invest in government and corporate bonds, depending on their yields and maturities. Bond funds can be short dated, and keep their investments for up to two years, or medium/long term and, accordingly, invest for more than two years.

Broken support/resistance: Refers to an indicator which points to a potential further downside/upside correction when broken.

Bullish: Expecting a price to rise.

B&D: Billing & Delivery.

C

Call option: A contract under which the buyer of the call has the right, but no obligation, to purchase the underlying at the strike price. The buyer must pay a premium for this right. The seller of a call has an obligation to sell the underlying at the strike price if the buyer wants to exercise their right. The seller receives a premium in exchange for the risk borne.

Candlesticks: Candlestick charts originated in Japan in the 1700s. A Japanese man named Homma discovered that while there was a link between price and the supply and demand of rice, the markets were strongly influenced by the emotions of traders. Just like a bar chart, a daily candlestick shows the market's open, high, low and close price for the day. The candlestick has a wide part, which is called the "real body". This real body represents the price range between the open and close of that day's trading. When the real body is filled in or black, it means the close was lower than the open. If the real body is empty, it means the close was higher than the open. Just above and below the real body are the "shadows" or "wicks". The shadows show the high and low prices of that day's trading. If the upper shadow on a down candle is short, it indicates that the open that day was near the high of the day.

Capital gain: The positive difference between the selling price and the purchase price of a financial instrument.

Carry (scorecard): 2-month deposit rate spread over the US dollar as an indicator of the carry of a given EM currency in relation to a universe of major EM currencies. Segmented into three subranges of equal size.

Cash flow: This indicates the difference between cash inflows and outflows of a company in an accounting period. Alternatively, it is the sum of net profit plus amortisation, depreciation and other provisions.

CETA: Comprehensive Economic and Trade Agreement. An agreement between the EU and Canada.

CFETS RMB Index: The China Foreign Exchange Trade System index, used by the PboC to measure the value of the renminbi (RMB) against a basket of currencies (selected based on international trade-weights).

CFTC: Commodity Futures Trading Commission of the United States of America.

Channel: A set of parallel trend lines drawn from the graph, indicating various levels of support and resistance. These lines can be horizontal, ascending or descending in nature.

Chart pattern: In technical analysis, a pattern in a chart that is believed to repeat in time and can be used to predict future price movements. Chart patterns are used as signals of either a reversal or continuation of a trend.

Closed (focus list): Trades closed or expired since the last publication.

Closed-end fund: A mutual fund with a fixed number of shares/units which can be purchased by both institutional and retail investors. Investors can exit closed-end funds only at a pre-established maturity date, unlike open-end funds, whose shares/units can be sold at any given time. Typically, a closed-end fund's maturity is 10 to 15 years.

COC: Change of control.

COCO: Contingent convertible.

Commodities: Raw materials of any kind that are traded in any organised exchange. Each commodity retains a singular purpose and their broad use is why they are used often as the assets that underlie derivatives. Agricultural commodities – such as tea, coffee, soy, rise and wheat – are called soft commodities while those that are extracted from the earth – such as gold, silver, platinum, aluminium and oil – are called hard commodities.

Composite forward: This generic product family is composed of multiple exotic options, enabling the underlying to be bought and sold at a more favourable price than the forward rate at inception.

Consensus: A forecast based on the combined estimates of the analysts covering a public company.

Contrarian: A contrarian investor assumes an investment style that goes against the prevailing market trends. They believe that market sentiment has a crowd mentality and an overemphatic influence on pricing. Therefore they try to invest in securities that are perceived to be performing poorly, in the belief that their price is cheap compared to their actual value, and that they can sell them for a higher price when sentiment changes.

Corrective wave: See Elliott Wave theory.

Convertible bond: A bond that entitles the investor to recover the principal investment either as cash or shares of the issuing company at maturity.

Conversion fees: Fee paid for the transfer of shares of one unit/share class to another unit/share class.

Corporate bond: A bond issued by a corporation. Corporate bonds generally offer higher yields than government bonds because there is a perceived higher risk of a company defaulting on the interest payments. The lower the company's credit quality, the higher the interest paid as the potential risk is higher.

Correlation: The relationship between the return of two investments. Highly correlated investments tend to move up and down together while investments with low correlation do not. For funds, it refers to the fund's return in relation to the benchmark.

Coupon: The interest paid on a bond to a bondholder until maturity. The coupon can be paid at different intervals, depending on the bond (annually, semi-annually or quarterly). Not all bonds have coupons, such as zero-coupon bonds. These bonds do not pay interest but are sold at a discount to their face value, which is paid back at maturity.

Covered bond: An on-balance sheet obligation of the issuing institution. Typically carrying an AAA rating, a covered bond benefits from its legal structure, the issuer's backing and quality assets pledged as collateral in the event of default, resulting in a highly rated bond.

CPI-ATE: Consumer price index adjusted for tax changes and excluding energy products.

CPIF: Consumer price index with a fixed interest rate. The Riksbank uses the CPIF to set its inflation target.

CPN: Coupon.

CRB index: Index, initially calculated by the Commodity Research Bureau (CRB), composed of industrial raw commodities. This index provides an indication of the broad trend of the raw commodity space.

Cup and handle: A technical chart pattern that resembles a cup and handle where the cup is in the shape of a "u" and the handle has a slight downward drift. It is considered a bullish signal extending an uptrend, and it is used to spot opportunities to go long.

Currency and currency fluctuations: A form of fiat money used as a medium of exchange. Often currencies are specific to a country, and are issued by that nation's government. Exchange rates, the price for which one nation's currency can be exchanged for another's, are used to match the respective values of these currencies. Since currency exchange rates are always changing, and often stocks of foreign companies are bought in their local currency, investors' returns can be affected by fluctuations in currency exchange rates.

Currency option: A currency option is a contract that grants the buyer the right, but no obligation, to buy or sell a specified currency at a specific exchange rate on (European style) or before (American style) a specific date. The buyer pays a premium for this right.

D

DCN: Dual Currency Note. A short-term investment aimed at earning a return by exploiting currency risk.

Deflation: A general decline in the prices for goods and services. It is not necessarily negative, as lower prices in deflation largely reflect excess supply. However, if deflation is due to a decline in demand, it means that consumption is stagnating and the economy is slowing down.

Deactivated: The condition in exotic options where the option or payoff is deactivated due to a specific event (Knock Out, Lock Out, No Touch, Target reached, number of occurrence).

Debentures: A long-term debt instrument that has no collateral other than the issuing company's general credit.

DENOMS: Denominations.

Deposit: Deposits are structured products with no capital protection at maturity. The investor bears the credit risk of the institution where the deposit is made.

Depreciation: Depreciation reflects a decrease in the value of an asset. It is an accounting process in which the cost of a tangible asset is written down over its expected useful life. For example, if a company buys a machine in 2015 for EUR 10,000 and expects to use it for 10 years, depreciation of EUR 1,000 is charged annually over a period of 10 years.

Derivatives: In the broadest sense, a derivative is a financial instrument whose price or value is calculated in relation to other market-traded assets or instruments. These other assets or instruments are called "underlyings" and may include indices, interest rates, government bonds, shares or commodities such as gold or oil. Derivatives are regarded as speculative instruments and are highly volatile, which is why potential gains or losses are very high. Due to their nature, they can also be used to hedge against the risk of volatility of the underlying assets. Derivatives are widely traded in the over-the-counter market, outside of the scope of standard market regulations enacted by market supervisors; both parties freely and directly negotiate the type of contract and the relevant terms and conditions. The most common derivatives include futures, options, warrants, ETFs and swaps.

Digital (double) no touch: A fixed payment (payout) is paid if the market value of the underlying never touches or breaches a defined level during a specific time period.

Digital European: A fixed payment (payout) is paid if the market value of the underlying touches or breaches a defined level at the expiry of the option.

Digital one (double) touch: A fixed payment (payout) is paid if the market value of the underlying touches or breaches a defined level once during a specified time period.

Digital option: Digital options are used to express various market views depending on specific features. The option enables the buyer to receive a payout (specified amount) if the market expectations are met. In exchange for this, the buyer pays a premium.

DIP: Debtor in possession.

Discount rate: A percentage that reflects the difference between the spot rate at inception and the potential net purchase price of the underlying.

Diversification: Diversification is a risk management technique that creates a mix of various of investments and asset classes within a portfolio. The method is aimed at minimising the risk of large, undesirable swings in value by holding investments that all react differently to certain market scenarios. Diversification results in a portfolio that has less risk than the weighted average of its individual holdings.

Dividends: Part of a company's earnings distributed to the company's shareholders at the end of the year. Upon the proposal of the board of directors, the shareholders may decide whether to pay dividends, retain earnings to fund future investments or cover past losses. Dividends can be paid in cash or in the form of other shares. In the latter case, the shareholder increases their position without receiving any cash payment.

Dividend yield: Weighted average dividend yield showing the dividends paid on a share as a fraction of the share price.

Double top/bottom: A trend reversal pattern that is frequently observed at the end of the bull market (top) or bear market (bottom). This is characterised by two consecutive price levels being reached (double level touched) followed by subsequent pullbacks (setbacks). These define a neckline, which, when breached, confirms the emergence of the new trend. The two peaks (pop)

– opens a bearish trend after the neckline is breached. The two minima (bottom) – opens a bullish trend after the neckline is breached.

Drawdown: This is an indicator that provides information on investment performance. The drawdown reflects the reduction of invested capital and can be calculated in absolute or in percentage terms. In essence it is the widest fluctuation between a peak and its subsequent trough reached at a given time of the life of an investment, giving insight into the manager's strategy.

Due diligence: This expression indicates the process of gathering information on a company (or a fund), including determining financial conditions, operating results and cash flows. In general, all the information relating to a company (or a fund) is analysed in view of an acquisition. Potential buyers are well advised to perform due diligence reviews before acquiring a company (or a fund) to determine the investment's real rather than "on-paper" conditions.

Duration or average duration: The sensitivity of fixed-income instruments to changes in interest rates.

DXY: US Dollar Index.

E

EBITDA: Earnings before interest, taxes, depreciation and amortisation.

ECB: The European Central Bank (ECB) is the central bank of the 19 countries that adopted the euro. The ECB is tasked with maintaining price stability in the eurozone and keeping target inflation just below 2%. It sets monetary policy objectives, issues banknotes and intervenes in foreign exchange markets. It is an independent body managed by a Governing Council, an Executive Board and a General Council.

Economic indicators: Economic indicators are items of macroeconomic data that provide guidance on the direction and intensity of the development of a given economic variable.

Elliott Wave theory: The Elliott theory suggests that market movements follow a pattern alternating between optimism and pessimism in natural sequences (crowd psychology):- as impulse waves (1/3/5) – always subdivided into five sub-waves (1/2/3/4/5)- as corrective waves (2/4) – subdivided into three sub-waves (a/b/c), starting with a five-wave counter-trend impulse, a retrace, and another impulse. These waves follow a set of specific rules and are linked to each other by target and retracement ratios based on the Fibonacci sequence. The personality of each wave is an integral part of the reflection of the mass psychology it embodies. Rules: wave 2 never retraces more than 100% of wave 1. Wave 3 cannot be the shortest of the three impulse waves (1/3/5). Wave 4 will usually not overlap the price territory of wave 1 (except in a diagonal triangle formation).

EEA: European Economic Area.

EM: Emerging markets.

EMEA: Europe, Middle East and Africa.

EMTN: Euro medium-term notes.

Engagement: Engagement falls under active ownership. It involves interactions between an investor (or an engagement service provider) and issuers (companies/sovereigns). Engagement itself does not necessarily pursue responsible intentions. However, in the responsible investing context, it is conducted with the purpose of fostering ESG topics, changing a sustainability outcome or improving public disclosure. Engagements can also be carried out with non-issuer stakeholders, such as policymakers, standard setters or property managers and tenants in the case of real-estate asset owners. Interactions that are not seeking change or an improvement in public disclosure are not considered engagement.

Engagement can be carried out bilaterally and collaboratively. Bilateral engagement is typically effective when an investor holds a significant portion of the target issuer's equity or debt.

Collaborative engagement is done jointly with other investors. This might include:

(1) groups of investors working together without the involvement of a formal investor network or other membership organisation; or

(2) groups of investors working together with the support of a formal investor network or other membership organisation such as the Climate Action 100+ and the Valuing Water Finance initiatives.

Eonia: An acronym of Euro OverNight Index Average and an interbank interest rate for 1-day loans in the eurozone. It is calculated by the ECB as the weighted average of the overnight rates of the main European banks. It is also the reference rate for different derivative instruments. EONIA was discontinued in 2019 and replaced by €STR, see below definition.

EPS: Earning per share (EPS) ratio divides net earnings available to common shareholders by the average outstanding shares over a certain period of time.

ESG: Used as a standalone, it refers to extra-financial factors, specifically as concerns environmental, social and governance topics.

ESG-integrated investing: Systematic and explicit inclusion of material ESG factors (also referred to as sustainability risks) into investment analysis and investment decisions to optimise the risk-return profile of corporate/sovereign issuers. The inclusion of ESG considerations in the investment process is not in itself sufficient to being classified as responsible investing. ESG-integrated investing does not take into account an issuer's negative/positive externalities beyond what is financially material to its business/itself

ESG binding/ESG focused: Investments that consider sustainability risks and promote environmental and social characteristics. In the EU, under the Sustainable Finance Disclosure Regulation (SFDR), investments that consider sustainability risks and promote environmental and social characteristics (but do not target specifically sustainable activities) should disclosed as per Article 8.

EU: European Union.

Euribor: Euribor is an acronym of Euro Interbank Offered Rate. This is the average interbank interest rate at which a large panel of banks in the eurozone (about 60 banks) lend funds to each other. Every business day at 11.00 a.m., the Euribor Panel Steering Committee sets the interest rate calculated on the basis of data received from the panel banks and discloses it to the market. There are eight different Euribors, reflecting maturities ranging from 1 week to 12 months.

€STR: €STR, which stands for Euro Short-Term Rate, is the interest rate utilized in financial contracts involving the euro. Administered by the European Central Bank, this interest rate is determined through the calculation and administration of the money market statistical reporting of the Eurosystem. In 2019, €STR replaced the Euro Overnight Index Average (EONIA) and is now widely recognized as the Euro risk-free rate for all products and contracts.

European barrier (or at the end): An option can be activated or deactivated if the final spot or fixing on expiration date and time is at or beyond the barrier.

European-style option: With a European-style feature, the contract terms allow the option to be exercised only on the expiration date.

Exchange-Traded Funds (ETF): These are special types of indexed investment funds which are listed on the stock exchange just like a share. Unlike shares, however, they are passively managed and intended to replicate an index or a combination of indices. In this way investors can take advantage of their two main strengths: risk diversification (typical of a fund) and the transparent flexibility of real-time trading (typical of shares).

Exclusions: Exclusions refer to avoiding specific issuers, activities or industries. Motives can be driven by personal values or ESG considerations.

Exercised: Action by the buyer to make use of the option, effectively triggering cash flows at the strike price.

Exotic option: A call or put option with additional features (i.e. includes all options which are not standard calls or puts).

Exp: Expected.

Expiry: Date and time at which the instrument/right expires.

EV (EV): The total value of a company equal to its equity value, plus net debt, plus any minority interest.

F

Face value or principal: The amount that the bond issuer agrees to repay the bondholder at maturity. It is often called the “par value” of the bond.

FCA: Financial Conduct Authority in the UK.

Fed/FOMC: The Federal Reserve System, central bank of the United States of America. The Federal Open Market Committee is a committee within the Federal Reserve that makes key decisions about interest rates.

Fibonacci sequence: Fibonacci Retracement levels (23.6%, 38.2%, 76.4% and 100%).

Fiduciary/MM: Short-term cash investment with a fixed rate of interest paid by the borrower.

Final spot: The last spot level prior to the expiry of the holder’s option to decide whether or not the option will be exercised.

Financial circumstances: An assessment of the state of an investor's finances, including current cash, long-term assets or future income projections. Knowledge of the given financial circumstances is necessary to understand limits of the respective investment plan.

Financial goals: Also called investment objectives, the targets an investor would like to achieve from their investments, such as buying a house or saving for retirement. Knowledge of the investor's financial circumstances and goals is necessary to establish the respective investment objectives.

Fixing: Observation made as a reference during the lifetime of the option to determine if an exercise will occur or not (with a potential specific frequency).

Forward: Agreement between two counterparties to exchange one currency for another currency at a specific price at a future date.

FRN: Floating rate note.

Fund manager: A fund manager is responsible for implementing a fund's investing strategy and managing its portfolio trading activities. This allows investors to delegate their investment decisions to a professional. Fund managers are paid a fee for their work, either as a percentage of the fund's average assets under management (AUM) or as a performance-related fee.

Fund: A collective investment managed by a professional asset manager that invests money pooled together from several investors.

Fund of funds (FOF): A fund that invests in other investment funds, rather than investing directly in stocks, bonds or other securities. By investing in an array of other funds, each with their own portfolio holdings, FOFs can achieve broad diversification benefits. However, due to the increased number of funds involved, fees can often be higher than usual investment funds.

Futures: In broad terms, futures are contracts under which one party promises another party to buy or sell an instrument, commodity or asset at specific terms and conditions. This type of contract is often entered into to hedge against risks that might arise from future trading activities involving the underlying instrument, commodity or asset. A financial future is a special type of futures contract, a derivative whose value is closely related to the value of its underlying.

FX: Foreign exchange.

G

GCP: General corporate purposes.

GDP: The monetary or market value of goods and services produced in a period (quarterly, or yearly).

Government bonds: Bonds issued by governments. They are widely regarded as the safest type of bond as they are backed by the government. However, they generally earn lower yields than bonds issued by corporations. Governments usually issue bonds in the country's own currency and carry varying levels of risk depending on the local economic situation. Since foreign government bonds are often issued in their own currency, the return in another currency will vary as exchange rates fluctuate.

Growth: There are usually two main reasons for investing: to earn regular income, or grow the investor's money over time. Putting money into savings accounts may help to earn interest income, but it can only provide capital growth if this interest is reinvested. A better way to grow capital would be to invest in securities, such as equities. Once the investor is satisfied with the growth the investment has achieved, it can be sold at a profit and the initial investment, plus any proceeds, returned to the investor.

Growth (scorecard): Monthly growth-related indicators. The higher the indicator, the better it is for the growth outlook and the currency, between +1 and -1 is neutral.

G10: Group of 10 main economies.

H

Head and shoulder: Emergence of a reversal pattern from a bullish or bearish trend (consisting of a left shoulder, a head and a right shoulder). The pattern is used to confirm and predict the potential continuation of the subsequent move from the neckline. The projected move is determined by measuring the vertical distance from the peak of the head to the neckline and applying the same distance from the neckline after the right shoulder is formed.

Hedge fund: A speculative investment fund which, to achieve its targets, deals in assets with high risk/return profiles.

Hedging techniques: A hedge is an investment that is much like an insurance policy and is used to reduce the potential risk of an adverse price movement in an asset. Using derivatives is the most common form of hedging, where both an asset is purchased and the option to sell it later, or vice versa, in order to guarantee some return on investment. Much like an insurance policy, by purchasing options on top of the actual assets, small costs will be incurred to hedge investments.

High-yield bond: Bonds issued by a government or corporation that carry a high risk of default. Typically, high-yield bonds (also called "junk bonds") are rated BBB- or lower by credit ratings agencies.

HKMA: Hong Kong Monetary Authority, central bank of Hong Kong.

I

ICMA: International Capital Market Association.

Ichimoku: The Ichimoku Kinko Hyo equilibrium analysis is based on a moving average concept that enables a pattern of signals to be generated (26 days in the past and 26 days in the future) with the current price. Used to identify short-term momentum, long-term trends and price targets.

Idiosyncratic factors (scorecard): An indicator used to highlight significant threats or opportunities not captured by other indicators. A typical example is political risk, which is difficult to measure but can have a major impact on a country's currency.

Impulsive wave: See the Elliott Wave theory.

Income: There are usually two main reasons for investing: to grow money over time or earn regular income from it. Investing for income is a good way to supplement other forms of income such as wages or a pension. However, like any other form of investment, it carries a degree of risk. Income can be earned from various asset classes, mainly cash, bonds, equities and property.

Inflation: A general increase in the prices of goods and services. Unless this increase is offset by rising salaries, consumers lose purchasing power.

Inflation (scorecard): Annual change in headline inflation. An indicator that signals a risk of high inflation is deemed negative for the value of the currency. Between +1 and -1 is deemed neutral for a currency.

Information ratio: A way of measuring the value added by the portfolio manager relative to a benchmark. It is a measure of the risk-adjusted return of a portfolio and is calculated by dividing the active return (portfolio return minus benchmark return) by the tracking error.

Initial investment: The first investment into a financial instrument or portfolio.

Initial public offering (IPO): The process by which a company lists its shares on a stock exchange and becomes a publicly-traded company.

Interest: The charge paid for the privilege of borrowing money, typically expressed as an annual percentage rate.

Intermediary: A company or an individual that trades in financial markets by matching counterparties to a transaction. A broker trades on behalf of third parties without taking a position for itself. A financial intermediary is an institution that brings together liquidity-rich and liquidity-poor parties, such as investors and companies.

Investment: An asset purchased with the hope that it will provide income in the future or be sold at a higher price for a profit.

Investment currency: Currency in which the investment is denominated.

Investment needs: The restrictions an investor places on the style of their investment strategies, such as socially-responsible investing or an inability to invest in certain countries. An acute understanding of investment needs is necessary when planning investments.

Investment objectives: The financial goals or targets an investor would like to achieve from their investments, such as buying a house or saving for retirement. Knowledge of an investor's financial circumstances and goals is necessary to establish the respective investment objectives.

Investment strategies: An investment strategy entails a combination of asset allocation, styles, sectors and geographic locations with which an investment manager can choose to invest funds. A financial adviser can develop a tailored investment strategy if provided with information concerning investment objectives, financial goals, circumstances and risk appetite.

IOI: Indication of interest.

IPT: Indicative pricing terms.

ISIN: International Securities Identification Number.
ISS: Issuer's sustainability strategy.

ITM (in the money): A call option whose strike price is lower than the current value of the underlying, or a put option whose strike price is higher than the current value of the underlying.

J

JAB: Joint active bookrunners.

JBR: Joint bookrunners.

JGB: Japan government bonds.

JGC: Joint global custodian.
JLM: Joint lead managers.

Joint venture: A contract between two companies which is limited in time and is designed to achieve a specific objective. The arrangements, rules and roles of the ventures are set out in a specific agreement.

Junior subordinated: Unsecured claim for repayment that ranks behind other subordinated debt.

K

Keepwell arrangement: A contract between two companies in which the first company agrees to ensure that its subsidiary maintains minimum financial standards to protect a future deal between the subsidiary and the second company.

Key reversal pattern: A one-day trading pattern that starts with the market reaching a new high or low, preferably an instant high or low, referred to as an uptrend. It then reverses in direction and closes the trading session at or close to the low or high point, called a downtrend, of the price bar. This pattern indicates a dramatic shift in intraday market sentiment change and suggests a high probability of a reversal.

KID: Key information document.

Knock In (or Kick In): The price level that will activate the option or structured product if touched or breached.

Knock Out (or Kick Out): The price level that will de-activate the option or structured product if touched or breached.

L

Last price: Last observed spot level.

LEI: Legal Entity Identifier.

Leverage: The amount of debt an investor can add to their available funds to finance a project or purchase. To measure leverage, using £100 in cash and £400 in debt to make a purchase, for example, would give a leverage ratio of 4:1. Leverage is used to increase the potential return on an investment.

Libor: London Interbank Offered Rate. The interest rate that banks in London charge for interbank loans. It is calculated by a panel of sixteen banks and currencies such as US dollar, euro, sterling pound, yen, Australian dollar, Canadian dollar, Swiss franc, New Zealand dollar and Swedish krona.

Limit price: The price level at which a limit order will be executed and filled when reached.

Loan: Amount borrowed at a defined rate for a fixed term.

Lock-In: The feature in a structured product that enables an investor to secure a minimum redemption amount if a predetermined condition is met.

Long: Refers to being exposed to the upside movement of the underlying. It also applies to an option when it is purchased.

Long position: A position that starts with the purchase of a security and ends with its sale. A long position is usually taken in an asset when the price is expected to rise. On the other hand, a short position is opened with a view that the price will fall, starting with the sale of a security and ending with its purchase. The terms 'long' and 'short' can be misleading as it has nothing to do with the holding period of the investment.

Lower band: Lower trend line of the channel (see channel).

1st lien: Secured debt with the highest priority claim for repayment. It represents the first layer of capital in secured 1st lien financing, typically used in leveraged buyouts, acquisition financing or project finance. 1st lien notes have a higher ranking than 2nd and 3rd lien notes.

2nd lien: Secured debt with the second priority claim for repayment. It represents the second layer of capital in secured 2nd lien financing, commonly used in leveraged buyouts, acquisition financing or project finance. 2nd lien notes rank below 1st lien notes but above 3rd lien notes.

3rd lien: Secured debt with the third priority claim for repayment. It represents the third layer of capital in secured third lien financing, typically used in leveraged buyouts, acquisition financing or project finance. 3rd lien notes rank below 1st and 2nd lien notes.

M

MACD indicator: Moving Average Convergence/Divergence. An indicator used to track changes in the underlying price trend. It provides insights into the strength, direction, momentum and duration of a trend. The calculation is based on three time constants derived from the three exponential moving averages (difference between time a and b and the signal line, which is the average of a series of time c). Parameters are usually in number of days (commonly 12 (a), 26 (b) and 9 (c) days). A bar graph illustrates the divergence between the two lines. When (a) crosses (b), the histogram shows 0 (crosses above the zero line is a change from negative to positive MACD which is interpreted as bullish. However, this crossover has less momentum than a signal line crossover). A short-term set-up can also be used, applying 5, 35 and 5 days.

MAS: Monetary Authority of Singapore, central bank of Singapore.

Maturity date: The date on which a bond issuer must repay the principal to the bondholder. Bond maturities can range from short term (a few months) to long term (over 30 years).

Merger and acquisition: Commonly known as M&A, this term includes different types of transactions that result in the merger of different companies. In a merger, two or more companies are combined to give rise to a new entity. An acquisition, on the other hand, involves one company merging into another, with the acquirer maintaining its legal identity while absorbing the acquiree.

MIFID: Markets in Financial Instruments Directive.
MLN/MM/MN: Million.
MoM: Month on month, a comparison of a data point to data for the same time period a month previously.

Momentum: The rate of price change (ROC) between two closing prices (commonly between today's close and 10 days ago). A simple moving average (commonly 5 days) is shown as a second line. It is used to define buy signals (occurs when the momentum line crosses above the moving average) or sell signals (occurs when the momentum line crosses below the moving average).

Mortgage backed: A security, generally issued or guaranteed by a federal agency, that is backed by a pool of mortgages.

Moving average: Refers to an average of a defined initial subset of prices (commonly on 50 days, 100 days, 200 days) connected by a line. It is used to define short-term fluctuations and/or longer-term trends as the market assumes that prices at extremes tend to revert to the mean price. It can be simple or exponential.

MREL: Minimum requirement for own funds and eligible liabilities.
MTF: Multilateral trading facility.
MTN: Medium-term note.
Mutual funds: Collective investment schemes established to pool the resources of investors who, in turn, own a share of the scheme proportionate to their investment. This means that profits and losses are allocated to investors on the basis of the number of shares/units held. Investors do not manage investments directly but delegate this task to a specialist, an asset management company, which sets the fund's investment strategies.

MWC: Make-whole call.

1M, 3M, 6M, 12M: Respectively, 1-month, 3-month, 6-month and 12-month.

3ML: 3-month Libor.

N

NAFTA: North American Free Trade Agreement.

NAV: NAV is an acronym of net asset value. It is obtained by dividing the total value of a fund's assets (cash + price x quantity of the fund's shares) by the number of shares/units outstanding. It is the price that an investor should pay to purchase other fund shares/units or should collect if they sold such shares/units. In a property fund, it is the difference between assets and liabilities.

NC: Non-callable (e.g. 5NC3: 5-year maturity, non-callable in the next 3 years).
Neckline: See double top/bottom.

NEG (RATINGS): Negative outlook (from the rating agency involved).

NEER: Nominal effective exchange rate.

NGN: New global note.
NR (RATINGS): Non-rated.
NY law: New York law.
New (focus list): Newly initiated trades since the last publication.

NIIP: Net international investment portfolio.

Norges Bank: Central bank of Norway.

O

OIS: Overnight index swap.

OPEC: Organisation of the petroleum exporting countries, intergovernmental organization composed of 14 countries (oil producers).

Open (focus list): Ongoing trades that have not yet matured.

Oscillator: An oscillator is a technical analysis tool moving within a band (above or below a centre line, or between levels). It is used to discover the overbought/oversold opportunities (common oscillators: MACD, RSI, ROC).

Options: Options are derivative financial instruments which, for a premium, give the holder the right to buy or sell the asset (the underlying) at a predetermined strike price on a given date. An option that gives the holder the right to buy the asset is referred to as a call option. The call option holder expects prices to rise. On the other hand, if the investor believes that prices are falling, they can buy a put option which (for a premium) will give them the right to sell the underlying at the strike price at the given date.

Over the counter (OTC): Over the counter refers to unregulated market where transactions are not governed by regulations enforced by financial market supervisors. Negotiations are conducted directly between the interested parties. OTM (out of the money) refers to a call option whose strike price is higher than the current value of the underlying, or a put option whose strike price is lower than the current value of the underlying.

Overbought: Indicator which points to a potential downside correction.

Oversold: Indicator which points to a potential upside correction.

Oz: The ounce (Oz) is an imperial unit of measure, now commonly used to measure the mass or weight of precious metals. One troy ounce is defined as exactly 31.1034768 grams.

P

P.A.: Per annum.

Pass thru certificate: A debt instrument that reflects an interest in a mortgage pool. Monthly payments of principal and interest are passed from debtor to investor through an intermediary.

Past performance: The historic performance of a financial instrument, also called its track record. Past performance is useful for analysing how the value of a financial instrument fluctuated in previous market conditions, but cannot be used as an indication of future performance.

Payout or digital: The fixed amount agreed in advance to be exchanged between two counterparties if a defined event occurs.

PB: Price-to-book (PB) ratio. A company's share price divided by its book value, which is defined as its net assets.

PE: Price-to-earnings (PE) ratio. A company's share price divided by its earnings per share over a specific period of time (usually a year).

Pension funds: These funds aim to offer a supplementary pension to their participants. They are considered institutional investors due to their large pool of assets under their management. Pension funds can be occupational – i.e. available only to a certain category of workers – or open, with no restrictions for membership.

Performance (Perf.): An indication of a financial instrument's return, which can be measured over any given timeframe, including since inception (for a fund). Performance can be measured according to the objectives of the fund, such as growth, income or total return. However, while performance indicates a return, it does not indicate the risk taken to achieve that return.

PERP: Perpetual.

Pivot level: Used to determine whether an accumulation or decumulation will occur for a specific fixing.

PM: Precious metals.

PMI: Purchasing manager index.

PMLN: Precious Metal Linked Note, a short-term investment aimed at earning a return by taking a risk on precious metals.

PNC: Perpetual non-callable (e.g. PNC5: perpetual bond not callable in the next 5 years).

Positive impact investing: There is no industry-agreed definition of positive impact investing. Positive impact investing (often referred to in the industry as "impact investing") is defined as investments that demonstrate:

1. Intentionality: the clear articulation of a positive-impact ambition at its core

2. Contribution: the investor's ability to enable positive impact through capital allocation (fixed income, private equity), encourage improvement (active ownership) and influence the public discourse (advocacy)

3. Measurement: issuers must track quantitively against social and environmental objectives to relevant stakeholders using standardised metrics wherever possible

Impact investments can be made through all asset classes and geographies and target a range of financial returns.

POS (RATINGS): Positive outlook (from the rating agency involved).

PPP: Purchasing power parity.

Preferred shares: Preferred shares, or preferred stock, function similarly to common stock in a company but offer additional benefits. For instance, preferred shares often have a higher claim on the assets and earnings of a company in the event of bankruptcy. Additionally, their dividends are usually paid out before those of common stock. However, preferred shares are generally more expensive and do not carry voting rights.

Principal or face value: The amount that the bond issuer agrees to repay the bondholder at maturity. It's often called the "par value" of the bond.

Premium: The price paid by the buyer of an option to the seller of the option. Generally, it is paid at inception (upfront). An option strategy is said to be zero upfront premium when the sum of received premiums is equivalent to the sum of paid premiums.

PRIIPS: Packaged retail and insurance-based investment products.
Private equity funds: Funds that invest in unlisted, or private companies to enable their growth and development. Private equity funds can invest in the start-up phase of a company (activities typical of venture capitalists or business angels) or at any other stage of a company's growth cycle.

Profit: The financial gain resulting from the sale of a product after deducting the original cost of the product and the expenses associated with selling it, such as fees, taxes or wages.

Property: Property can be held as an investment to either generate income or grow the initial investment over time. Property falls under two categories, either domestic property (houses and apartments) or commercial property, such as office buildings and factories.

Proxy voting: For consistency and clarity, we refer to "proxy voting" rather than just "voting" which can be ambiguous to a broad (non-investment) audience. "Proxy" refers to the fact that, as a financial organisation, we are delegated by our clients (the final owner of the securities) to vote on his behalf.

Pullback: A technical analysis term used to describe when a stock returns ("pulls" back) to a resistance and/or support line, usually after breaking out. Pullbacks can be in an uptrend or downtrend and can pull back upwards or downwards. Pullbacks frequently become a new support or resistance line for the new trend as well.

Put option: A contract under which the buyer of the put has the right, but no obligation, to sell the underlying at the strike price. The buyer pays a premium in exchange for this right. The seller of a put has an obligation to buy the underlying at the strike price if the buyer wants to exercise their right. The seller receives a premium in exchange of the carried risk.

Q

Q1, Q2, Q3, Q4: Q1 stands for first quarter, Q2 for second quarter, Q3 for third quarter and Q4 for fourth quarter.

QoQ: Quarter on quarter, a comparison of a data point to data for the same time period a quarter previously.

Quantitative easing (QE): An unconventional monetary policy adopted by central banks to boost the economy. The central bank buys securities in the market, usually government bonds, by creating money. The new money which is used by the central bank to inject liquidity in the economy is not necessarily printed but can be created electronically, as book entries in the central bank's accounts. Quantitative easing has the effect of keeping interest rates low. The increased liquidity and the lower cost of funds fosters an increase in economic activity. In theory, the QE should also facilitate access to credit, thus stimulating economic growth.

R

Rating: A score awarded by rating agencies reflecting their opinion on the creditworthiness of an issuer.

Ratings M/S/F: Ratings Moody's/S&P/Fitch.

Ratio: A proportion used to define the exchanged amount at the time of expiry. Strategies with ratios are asymmetrical; usually the ratio (or leverage) applies when the exchange occurs at an unfavourable level compared to prevailing market price.

RBA: Reserve Bank of Australia, central bank of Australia.

RBNZ: Reserve Bank of New Zealand, central bank of New Zealand.

Real estate fund: A collective investment pool that invests in the securities of public real estate companies. A real-estate investment trust is an investment vehicle that operates like a company, offering shares in the trust on a public exchange and owns commercial real estate. It then distributes the rents from these properties to its shareholders in the form of dividends.

REER: Real effective exchange rate.

Reference currency: The currency in which a portfolio's performance is measured.

REGS: Regulation S.

Relative strength index (RSI): An indicator developed by J. Welles Wilder to measure the velocity of an underlying price movement to identify an overbought/oversold condition (counting up and down days from close to close). It is used to define a potential turning point to take entry/exit decisions: RSI <30 indicates an oversold market - Buy signal when the indicator crosses 30 from below- RSI value > 70 indicates an overbought market - Sell signal when the indicator crosses 70 from above.

Resistance line: A resistance trend line is defined when the underlying declines at resistance pivot points. It is used to define entry/exit points.

Resistance: Refers to a level that is anticipated to predict trend interruption which might prompt an increase in selling activity.

Responsible investing: There is no industry-agreed definition of responsible investing.

Retracement ratio: Percentage retracement is calculated based on extreme values observed on a chart. It serves as a guide to define support and resistances and as a potential signal for a short-term reversal before the trend continues.

Retracement: Based on the observation that after a period of trending in one direction, the price tends to retrace a portion (percentage) of the previous trend before resuming its original direction. Countertrend moves are believed to fail at certain predictable levels calculated from a number sequence (23.6%, 38.2%, 50%, 76.4% & 100%). A trend is expected to continue if the 50% retracement is exceeded.

Reversal pattern: Pattern which indicates a trend reversal if a defined level is breached (see double top or double bottom).

Riksbank: Central bank of Sweden

Risk: Risk is the likelihood that the actual outcome of the investment will differ to the expected return. Investments with a higher degree of risk increase the possibility that the investment will over or underperform expectations. Risk is often measured through the frequency and extent of deviations from the average historical performance, known as the standard deviation. Investors must understand the risk prior to investing.

Risk and reward: Risk and reward is the necessary understanding that in order to gain higher rewards. investors have to take on a higher degree of risk, making them more susceptible to losing some or all of their initial investment.

Risk profile: Each investor will have their own risk profile that takes into account their willingness and financial ability to accept large swings in the value of the investment. To identify their risk profile, investors must consider many factors, such as the time horizons of their investments, their age, their future earning capacity and the presence of other assets such as a home or a pension. A risk profile helps us to create an appropriate investment plan aligned with the respective objectives and circumstances.

ROE: Return on equity (ROE) is the measure of a company's annual return (net income) divided by the value of its total shareholders' equity.

S

SBLC: Stand-by letter of credit.

SFDR: The Sustainable Finance Disclosure Regulation (SFDR) is a European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants. It imposes comprehensive sustainability disclosure requirements covering a broad range of environmental, social and governance (ESG) metrics at both entity and product-level. The SFDR is a fundamental pillar of the EU Sustainable Finance agenda, having been introduced by the European Commission as a core part of its 2018 Sustainable Finance Action Plan, which also include the Taxonomy Regulation and the Low Carbon Benchmarks Regulation. Importantly, the SFDR is a regulation for disclosure, NOT product labelling.

SFDR defines sustainable investment as i) an investment in an economic activity that contributes to an environmental objective, or ii) an investment in an economic activity that contributes to a social objective, iii) provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SEC: The Securities and Exchange Commission of the United States of America.

Sectors: A classification system that is used to group the shares of companies or businesses that have related products, services or operating characteristics. Each sector will have a different risk profile, and therefore financial professionals often allocate their investment pool in different sector weightings in order to diversify risk.

Securities: Financial assets of any kind traded in financial markets. A distinction is made among debt securities, such as bonds; equity securities, such as ordinary shares; and derivative securities, such as futures.

Securitisation: The practice of pooling assets to be packaged and used as collateral to issue bonds on the market.

Secured: Said of a claim for repayment that is secured by assets and will have priority before unsecured debt. In the event of a default, the creditor(s) of a secured bond has a priority claim to the pledged assets over the unsecured debt creditors.

Senior non preferred: Bail-in eligible senior non-preferred debt that ranks between senior preferred bonds and existing Tier 2 subordinated debt. Issued by European financial institutions (e.g. BNP Paribas SA).

Senior preferred: Non bail-in eligible senior preferred debt that ranks between senior preferred bonds and existing Tier 2 subordinated debt. Issued by European financial institutions (e.g., BNP Paribas SA).

Senior secured: A bond for which the issuer has set aside assets or collateral to ensure timely interest and principal payments. Senior secured takes priority over other secured debt of the issuer.

Senior subordinated: Ranks lower in priority than senior debt when dividends are paid or assets are distributed in liquidation or bankruptcy but ranks higher than junior subordinated debt.

Senior unsecured: A bond that has priority over other bonds in claiming assets and dividends. Senior unsecured is also a debt obligation with no collateral, backed only by the debtor's creditworthiness.

Shares: Securities that grant ownership of a portion of a corporation. The larger the number of shares owned, the greater the shareholder's influence over the company's life. There are different types of shares, the most important of which are ordinary, preference, savings shares and shares with or without voting rights.

Sharpe ratio: An indicator of a portfolio's risk-adjusted performance calculated by dividing the excess return (portfolio return minus risk free return) by the volatility.

Short: Refers to being exposed to the downside movement of the underlying. It also applies to an option when it is sold.

Short position and short selling: A short position is built by borrowing securities and selling them on the market. The investor does not own them because they expect the share price to fall. The position is closed by buying the securities back, at a hopefully lower price than they were sold for, and returning the shares to the lender. The terms 'long' and 'short' can be misleading as it has nothing to do with the holding period of the investment.

Signal (bearish/bullish): An indicator when crossed/reached that indicates a buy (bullish) or sell (bearish) signal.

SNB: Swiss National Bank, central bank of Switzerland.

SOFR: Secured Overnight Financing Rate.

SONIA: Secured Overnight Index Average.

Spot: The price at which a currency is currently trading on the market.

Spread: The difference between the ask and bid prices. A credit spread refers instead to the difference between the yield of a bond and that of another taken as reference. Spreads are determined on the basis of market trading activities. Yields rise and fall depending on the degree of confidence of investors and lenders.

Stakeholder: Stakeholder is a person or group that has an interest in an organisation. The concept was developed in 1963 by the Stanford Research Institute to indicate those who have an interest in an organisation and who are necessary for the company's survival.

Standard deviation and annualised volatility: A measure of historical volatility calculated by comparing the average return with the average variance from that return.

ST/STA (RATINGS): Stable outlook (from the rating agency involved).

Stochastic: A momentum indicator comparing a particular closing price of a security to a range of its prices over a certain period of time. The sensitivity of the oscillator to market movements is reducible by adjusting that time period or by taking a moving average of the result. It is used to generate overbought and oversold trading signals, utilizing a 0–100 bounded range of values.

Stop loss: An order to buy or sell the underlying once a specific price level is reached. When the stop loss price is reached, it is generally executed at the next available price (which can be different from the initial price specified). A buy stop loss is entered at a level above the current price, a sell stop loss is entered at a level below the current price.

Strike: The price at which an option can be exercised.

Stock picking: The act of selecting stocks believed to be good investments to include in a portfolio.

Sukuk investment: An Islamic financial certificate, similar to a bond in Western finance, that complies with Islamic religious law commonly known as Sharia.

Subordinated: Said of an unsecured claim for repayment that ranks behind senior subordinated and ahead of junior subordinated debt. It indicates a note with a lower priority than other securities when dividends are paid or assets are distributed in liquidation or bankruptcy.

Support line: A support trend line is defined when the underlying rebounds at support pivot points. It is used to define entry/exit points.

Summary risk indicator (SRI): The Summary Risk Indicator (SRI) is defined by the PRIIPs regulation and is designed to show the relative risk of a product, using a combination of market and credit risk measures. For a Fund, the SRI is calculated using its unit price and the credit rating of the issuer. For funds whose closing prices are calculated daily, the values from at least two years are taken into account in the calculation, while values from up to five years are considered for funds whose closing prices are not calculated daily. Such calculation results in a ranking on a scale running from 1 to 7, with 1 being the lowest risk and 7 being the highest risk.

Support: Refers to a level believed to predict trend interruption which might prompt an increase in buying activity.

Sustainable Development Goals (SDGs): The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. Achievement of the 17 global goals is inherently linked with the Paris Agreement goals.

Sustainable/sustainability: Sustainability is the degree to which an activity is "able to be maintained at a certain rate or level" into perpetuity. In 1987, the United Nations Brundtland Commission defined sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their own needs." Given that today there are very few economic activities that can be defined as truly sustainable according to this definition, at Pictet we use "sustainability" selectively and prefer "responsibility", which refers more directly to our actions rather than specific outcomes.

Sustainability factors: As defined by SFDR, sustainability factors means environmental, social and employee matters, respect for human rights along with anticorruption and antibribery matters.

Sustainable investments: In the context of the European Commission's regulation, "sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices".

The six environmental objectives include climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems. The three social objectives include decent work, adequate living standards and well-being for end users as well as inclusive and sustainable communities and societies. Measurement methodologies can vary, but often include the % revenue contribution of the activity, given it abides by the do-no-significant-harm principle. Targeting means having sustainable investment as its main objective.

Synthetic risk and reward indicator (SRRI): Used to indicate the level of risk of a fund by providing a number from 1 to 7. This risk is assigned because of the price variations resulting from its currency and the nature of the fund's investments and strategy. The risk category shown is based on historical data and may not be a reliable indication for the future risk profile of the share class. It is not a target or a guarantee and may change over time. The lowest category does not mean a risk-free investment. The fund offers no capital guarantee or asset protection measures. The fund may be exposed to the different risks which are not adequately captured by the synthetic risk and reward indicator and may negatively impact its value.

T

Target price: In technical analysis, past price movements are used to extrapolate future market trends and define the target price to enter/close positions.

Taxes: Mandatory contributions from individuals and corporations that are used by a government to pay for public services. Taxes come in many forms, such as income tax, VAT or property tax.

Technical analysis: The process of analysing price charts with an aim to identify patterns that are likely to recur, in order to try to predict future price movements.

Technical indicator: Historical mathematical calculation on various indicators (price, volume, open interest).

Tenor: Length of the investment/strategy.

Total expense ratio (TER): Total charges paid by an investor for a fund including management fees, performance fees and any additional costs such as administrative fees.

Tracking error: The standard deviation of the active returns (portfolio return minus benchmark return). It measures how close a portfolio/fund return is to its benchmark return.

Trade (scorecard): We use an openness index, based on the sum of imports and exports divided by GDP as a way to assess the exposure of an economy to global economic trends.

Treasury bonds: Bonds issued by the U.S. Treasury to raise the funds necessary to meet its borrowing requirements.

Trend line: A trend line can be drawn between a minimum of three points. To qualify as a trend line, it must be drawn between two points and tested by a third point at least.

Triangle: Triangles are patterns derived from a contraction in the price range and converging trend lines (shape of a triangle). There are three categories: Ascending (from an uptrend, often bullish if coupled with an increase of volume), market expected to increase by the same amount of the widest section of the triangle; Descending (from a downtrend, often bearish if coupled with an increase of volume), market expected to decrease by the same amount of the widest section of the triangle; Symmetrical are continuation patterns without a clear direction derived from a trend, but when the triangle is broken, it usually triggers a big move together with a big volume compared to the indecisive days before the breakout. It is advisable to usually wait for a one-day closing price above or below the trend line before entering into the market.

T (SETTLEMENT): Trade execution date (e.g. T + 3 settlement: 3 business days after the trade is executed).

TBD: To be determined.

TLAC: Total loss absorbing capacity.

U

UK: United Kingdom.

UOP: Use of proceeds.

Upside/downside breakout: An upside breakout occurs when the price breaks out through the top of a trading range marked by horizontal boundary lines across the highs and lows. This pattern indicates that prices may rise explosively over a period of days or weeks as a sharp uptrend appears. A breakout from a longer and narrower trading range makes for a stronger and more reliable bullish signal. Conversely, a bearish downside breakout is observed when prices break out below the lower boundary.

Underperformance: A lower performance of a fund relative to its benchmark.

Unsecured: Claim for repayment that ranks behind senior unsecured and ahead of junior subordinated debt. It indicates the obligation is not backed by any collateral.

Upper band: Higher trend line of the channel (see channel).

US: United States.

V

Valuation (scorecard): The deviation of the real effective exchange rate from its 10-year average as a measure of the under or overvaluation of a currency. More than 10% above the currency is overvalued, 10% below means a currency is undervalued, else neutral.

Venture capital: Equity investments to fund the start-up or the growth phase of companies. Typically, a venture capital fund invests in technologically innovative start-ups or growing companies. Usually, venture capital funds invest in companies with a high operational or financial risk.

Volatility: A measure of the expected price variation of an asset over a given period (implicit volatility). Square root of the price variance (historic volatility).

V spike: A sudden and large move in the price of an asset, either up or down, but more often when describing up-moves. Technical analysts use the occurrence of spikes to help make trading decisions. For instance, if the spike was accompanied by increasing or decreasing volume.

Vulnerability (scorecard): Current account balance as a percentage of GDP and the ratio of short-term external debt to FX reserves as an indication of how vulnerable a currency is to external shocks. Either an elevated current account surplus or a large FX reserve is necessary to signal external buffers are strong.

W

Wave: See Elliott Wave theory.

Wedge: Wedge patterns are chart patterns similar to symmetrical triangle patterns in that they feature trading that initially takes place over a wide price range and then narrows in range as trading continues. However, unlike symmetrical triangles, wedge patterns are reversal signals and have a strong bias towards being either bullish – for falling wedges – or bearish – for rising wedges.

Weighted average credit rating: A measure of a bond fund's overall credit risk. It takes the average credit rating of the underlying bonds, weighted by the size of each bond in the fund.

Weighted average life (WAL): A measure of credit and liquidity risks expressed as the average time to principal redemption.

Weighted average market capitalisation: The average market capitalisation of the companies held in a portfolio.

Weighted average maturity (WAM): A measure of interest-rate risk expressed as an average time until the rate is reset.

Y

Y: Respectively, 1Y (1-year), or YoY (year on year).

YCC: Yield curve control.

Yield: Return expressed as a percentage.

YoY: Year on year, a comparison of a data point to data for the same period a year previously.

YTC: Yield to call.

YTD: Year to date, a measure of the most recent set of data to data at the beginning of the calendar year.

Yield to maturity (YTM): The expected return on a bond or bond portfolio assuming the bond is held to maturity.

YTW: Yield to worst.

1Y: 1 year.