# Investment jargon buster

**Assets:** *anything an individual, company or fund owns which has economic (tradable) value.*

**Asset classes:** *Groups of securities or investments with similar characteristics that behave in a similar fashion and are subject to the same laws and regulations. The most common ones are Cash, Shares, Property & Fixed Interest Securities.*

**Bond:** is an IOU for *a loan to a government or company. Usually for a fixed term and with a fixed rate of return paid to the investor at fixed intervals until the loan is repaid. Sometimes called Fixed Interest Securities.*

**Commodities:** *bulk goods traded on an exchange. Examples include gold, silver and platinum; iron, steel and tin; grain, coffee and sugar.*

**Consumer Price Index (CPI):** *periodically measures the price of a basket of goods and services purchased by households, used to give an indication of UK inflation.*

**Default risk:** *the risk that the bond issuer will not be able to repay the interest or initial investment to the investor.*

**Developed market:** *an established market economy, with sound, well-established economies and are therefore thought to offer safer, more stable investment opportunities than developing markets.*

**Diversification:** *a policy of reducing your exposure to any one particular asset or risk. This usually involves selecting a range of asset classes which do not move in perfect synchronisation with each other.*

**Dividend:** *a distribution of profits to shareholders. Each share is allocated a percentage of the distribution.*

**Emerging markets:** *less developed economies generally characterised as transitioning from a restricted or controlled economy to a free-market economy, with increasing economic freedom, and gradual integration into the global economy.*

**Equity:** *a share in the ownership of a company.*

**Fiscal policy:** *government policies that seek to influence the domestic economy including tax rates, interest rates and spending policies.*

**Fixed Income Security:** *a loan to a government or company, usually for a fixed term and with a fixed rate of return paid to the investor at fixed intervals until the loan is repaid.*

**Investment trust:** *Set up as companies with a fixed number of shares and like any listed company the shares trade. Allows you to pool your money with other investors to get access to range of assets through a single investment.*

**Mutual fund:** *allows you to pool money with other investors to purchase stocks, bonds and other securities.*

**OEIC (Open Ended Investment Company):** *this is a collective investment fund. Managers pool investors' money to buy shares, bonds cash, property and other investments. The number of shares in circulation varies depending on demand from investors.*

**Retail Price Index (RPI):** *Like the CPI, this tracks changes in the cost of a fixed basket of goods over time. However, the RPI also includes housing costs, such as mortgage interest payments and council tax, as well as TV licence and road tax costs.*

**Risk:** *the chance that an investment will lose value or that its return will be less than expected.*

**Structured deposit***: a portfolio that offers a degree of protection to capital whilst offering the potential for higher returns. The higher the risk to capital, the greater the potential return.*

**Volatility:** *a risk measure that describes the degree to which performance varies over time and thus an indication of one's ability to predict whether performance is going to be positive or negative.*

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