A

“Abenomics”

Abenomics is the term used in financial markets for the triple-pronged economic programme of Japanese prime minister Shinzō Abe. Abenomics seeks to rectify over two decades of weak economic growth by boosting Japan’s money supply, increasing government spending and carrying out reforms to make the economy more competitive.

'Absolute return strategy'
An absolute return investment strategy aims to deliver positive returns (and not lose money) whatever the market conditions. This is in contrast to a “relative” strategy that looks to beat a benchmark index.

‘Accelerated bookbuild’

An accelerated bookbuild is a type of offering in the equity capital markets. Shares of a listed company are offered to investors in a short time period, with little to no marketing. The bookbuild of the offering is typically done very quickly in one or two days. Underwriters may sometimes guarantee a minimum price and proceeds to the selling listed company.

‘Accounting period’

An accounting period is a defined period of time during which accounting functions are performed, aggregated and analysed. It could be a calendar year or a fiscal year. Analysts and investors will always look ata company’s performance through its financial statements that are based on a fixed accounting period.

‘Accrued income’

Accrued income is earnings or money accumulated for providing a service or selling a product that has yet to be received. Mutual funds or other pooled assets that collect income over a period of time but only pay out to shareholders once a year are by definition accruing their income., The “accrual accounting system” is where individual companies accrue income without actually receiving it.

'Accumulation units or shares'
Funds may issue two types of units or shares to investors in that fund. Accumulation units or shares are those where the income to the fund is not distributed to investors but is automatically retained and reinvested. This results in the fund increasing the value of each accumulation unit or share, but leaving the number of units/shares held unchanged. The opposite situation is where distribution units/shares (sometimes called 'income' units/shares) are those where income will be paid to investors on set dates relating to the financial year of the fund.

'Active management'
Active management is a style of investment management where the asset manager aims to achieve superior returns than the benchmark and sector, by actively selecting the asset he or she believes will be winners from the relevant benchmark (known as active investing). The opposing investment management methodology is 'passive management' or ‘indexing’. The

differentiation between active" and "passive" management is most commonly seen in the world of equities.

‘**Advise**r (advisor)’

1. An individual or institution accountable for executing investments on behalf of, and/or providing advice to, investors.

2An investment adviser can be an entity employed by an investment company to manage a particular portfolio. A fund's adviser assigns da manager(s) to carry out routine decisions regarding buying and sellinga fund's securities in accordance with defined strategies and investment objectives.

‘**Advise**r account (advisor account)’

An adviser account is a form of investment account in which an investment adviser works closely with a client in defining and carrying out investments and strategies. In most cases, the client has the final say on all investment decisions.

The annual fee the client pays to the adviser for their services is based on a percent of the assets held in the account. There are typically no trading commission fees.

'Algorithm'

An algorithm is a group of rules for carrying out a task in a certain number of steps. An example is a recipe, which is an algorithm for preparing a meal. Algorithms are necessary for computers to process information. They have thus become central to the daily lives of humans.

An algorithm is utilised by Encor Wealth Management as the methodology for asset allocation decision-making.

'Algo trading'

Algo trading, also called black-box or automated trading , utilises a computer programme to buy or sell securities at a rate impossible for humans to match. The process by which an algorithm digests of financial data becomes easy because of the ample online provision of data. Similar in principle to an algorithm, the user of the programme simply sets the parameters and gets a desired output when securities meet the trader's criteria.

'Alpha'

. Alpha is the excess return of the fund minus the return of the benchmark index. Alpha is broadly considered to show the value that a fund manager adds to or subtracts from a fund's return.

‘American Depositary Receipt’ (‘ADR’)

An American Depositary Receipt (ADR) is a certificate that a US bank issues representing a specified number of shares (or perhaps one share) in a foreign stock traded on a U.S. exchange. ADRs are denominated in U.S. dollars.

‘Analyst’

An analyst is an expert in assessing investments and assembles buy, sell and hold recommendations for securities. Brokerage firms, wealth managers or asset management firms usually employ analysts.

'Annual management charge'

An annual management charge is the fee paid to a fund manager for managing a fund. The fee is calculated on a running daily basis, calculated from the value of the fund's net assets and then is reflected in the daily value of a mutual fund or investment trust's assets.

'Annualised (total) return'

The average rate of return over a number of years on a per-year basis. It shows the geometric average amount of money earned per year over a number of years if the calculated annual return is compounded. The annualised total return is the same calculation but using the return on a multi-year basis including income.

'Annuity'

An annuity is a contractual financial product sold by financial institutions that is designed to accept and grow funds from an individual and then, at maturity ("annuitization"), pays out a stream of payments to the individual at a later point in time.

'Asia-**Pacific region'**

The Asia-Pacific region in financial markets (for funds, indices and research) covers the geography between Australia and New Zealand in the south up to South Korea and Japan in the north, including the whole of the ASEAN region, China and India. When commentators describe "Asia" without the Pacific phrase, Australia and New Zealand are excluded from this list. Nearly always, the inclusion or exclusion of Japan is clearly stated (for example, "Asia-Pacific ex-Japan", "Asia cum-Japan").

'**Ask price'**

Ask is the price a seller is prepared to accept for a security. It is often called the offer price.

'Asset allocation'

Asset allocation describes the decision distribution of a portfolio's assets by geographical region, sector or type of security taking into account a client's goals, investment horizon and risk tolerance.

'Asset class'

Asset class refers to the type of asset into which a fund invests. It is a group of securities that exhibit similar characteristics. Types include shares, bonds, cash, gold, property, currencies and commodities.

'Asset mix'

The asset mix is typically shown as the set of percentages every asset class contributes to the total market value of a portfolio.

'Assets'

Assets are the underlying investments in a fund, such as shares, bonds, cash, real estate,, commodities, , dependent on the stated investment objective of the fund.. Examples are an 'equity fund' investing in shares; a 'bond fund' holding bonds; a 'multi asset' fund with exposure to several different asset types.

'Attribution analysis'

Fund and portfolio management cost the client money, and so attribution analysis helps determine whether that money is being well spent. Attribution analysis is a performance-evaluation tool utilised to assess the abilities of fund and portfolio managers. It uncovers the impact of a manager's investment decisions with regard to overall investment policy, asset allocation, security selection and activity.

'Authorisation'

Any firm wishing to conduct investment business in the Czech Republic is required to be authorised. This authorisation is granted by the Czech National Bank, being one of the regulatory bodies for the financial services industry.

B

'Bail-in'

A bail-in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings. A bail-in is the opposite of a bail-out. Bail-ins were more common before the 2008 Great Financial Crisis but bail-outs have pervaded since 2008.

'Bailout'

A bailout is a situation in which a business, an individual or a government offers money to a failing business to avoid the consequences resulting from that business's downfall. Bailouts are most common in sectors and industries (including banking) where business models are no longer viable.

'Balanced fund'

A balanced fund blends an equity portion, a bond portion and sometimes a money market portion into a single portfolio. Balanced funds typically stick to a relatively fixed mix of stocks and bonds reflecting a moderate, or higher equity, portion, or conservative, or higher fixed-income, portion.. Balanced funds are seen as best for investors seeking a mixture of safety, income and modest capital appreciation.

‘Bank run’

A bank run occurs when a large number of bank customers withdraw their deposits simultaneously due to worries over the bank's solvency. As more customers withdraw their money, the probability of default increases, prompting more people to take away their own deposits.

‘Bank stress test'

A bank stress test is an analysis usually by a regulator or supervisory agency to assess whether a bank has enough capital to withstand the impact of adverse developments, including unfavourable economic scenarios

‘Bankruptcy'

Bankruptcy is a legal proceeding involving a person or business that is unable to repay outstanding debts.

'Basis point'

A basis point is equivalent to one hundredth of one per cent. When commentators refer to interest rates being decreased by 25 basis points, they mean, for example, from 5.25% to 5.0%.

'Bear market (bearish)'

A bear market is where share or other asset prices are going down. The connected adjective is “bearish”.

It is opposite to a bull market where prices are going up.

'Benchmark'

A benchmark is a standard against which a fund manager will be measured. Examples include a stock market index, such as the Prague Stock Exchange PX Index, or a commodity index.

'Benchmark bond'

A benchmark bond is a standard against which the performance of other bonds could be measured. Government bonds are almost always utilised as benchmark bonds.

'Beta'

Beta represents a measurement of the expected future volatility (or violence of movement) or systematic risk of an investment versus the volatility of the market as a whole during the same period. A beta of 1.0 indicates that an investment is likely to closely follow the market's movement, while a beta lower than 1.0 indicates lower volatility than the market. If beta is a negative number, it is likely that the investment and the market are moving in opposite directions. Beta is utilised in the Capital Asset Pricing Model (“CAPM”).

'Bid price'

Bid is the price a purchaser is prepared to pay for a security. It is also the price at which units in a mutual fund will be redeemed at if a client wishes to liquidate their holding.

'Bid/offer spread'

The bid/offer spread is the amount by which the asking price for a stock or unit of a mutual fund (the offer or asking price) exceeds the bid price. This is essentially the difference between the highest price that a buyer is willing to pay and the lowest price for which a seller is willing to sell for.

'Bitcoin'

Bitcoin is a cryptocurrency that was created in 2009. Bitcoins cannot be replicated as they are protected by computer security, known as cryptology. As they are virtual, there are no physical bitcoins and the ledger of their historical existence and who owned them is stored on the internet, in the blockchain.

Owners of bitcoins access them through keys, essentially a user name and password, but in fact strings of numbers and letters linked through an encryption algorithm.

The use of bitcoin, which may spread, is for peer-to-peer instant payments.

New bitcoins are created through “mining”, essentially individuals able to solve computational puzzles through computing power. As more and more bitcoins are created, the computing power required to mine a new one becomes larger and thus the cost of production (a factor in the bitcoin price) rises.

'Black swan'

A black swan is a financial market event or occurrence that deviates beyond what is normally expected of a situation and is extremely difficult to predict; the term was popularized by Nassim Nicholas Taleb.

'Blockchain'

Blockchain is the complete public record of all Bitcoin (a crypocurrency) transactions ever carried out. New blocks are created as bitcoins are mined and utilised.

The most obvious and basic use for this technology is as a payments system that spans the internet and is thus global in scope and does and will cost those who use it virtually nothing to use. The blockchain was started in 2009 and has been running since then.

Blockchain’s strength is that it is tamper-proof, decentralised and immutable could make it the norm for performing many financial sector (including banking and asset management) activities in the future.

'Bloomberg code'

Bloomberg is a large American commercial organisation providing financial news and data services. Bloomberg assigns codes to funds and securities in financial markets and enables customers to track news, data and analysis utilising the codes. .

'Blue chip'

'Blue chip' is a term describing companies that are generally considered well-established, highly-regarded, financially-sound and usually large in size and scale.

'Bonds'

A bond is a debt investment and can be issued by either a company or a local or national government. It is a way of raising capital. Investors buying a bond are effectively lending money to the issuer of the bond. Most bonds have a fixed term, at the end of which the investor will receive the original issue price, although some bonds (known as 'perpetual bonds') have no fixed maturity date. Interest is normally paid during the lifetime of the bond.

'Bond market'

The bond market, or the debt market or credit market, is a financial market in which the participants are able to issue and trade debt securities.

'Bottom-up'

A bottom-up bond or equity manager will build a portfolio by focusing on selecting stocks which he or she believes to be the best opportunities within an industry or sector. Economic issues, market cycles and asset allocation guidelines are not of primary importance in the construction of the investment portfolio. To contrast, a 'top-down' fund manager will make investment decisions based on the macro-economic environment and related data rather than on stock specific criteria.

'Brent crude (North Sea)'

A type of oil that is sourced from the North Sea. This type of oil is used as a benchmark to price European, African and Middle Eastern oil that is exported to the West.

'Brexit'

An abbreviation for “British exit”, which refers to the UK’s decision on 23 June 2016 to leave the European Union and the subsequent signing of Article 50 of the EU Treaty and exit negotiations currently ongoing.

'BRIC'

Coined by Goldman Sachs around the turn of the millennium, “BRIC” groups the four largest Emerging Markets, Brazil, Russia, India and China together in the notion that they would eventually attain dominance of global manufacturing and eventually services. Sometimes an “S” is added to this acronym to include South Africa.

'Bubble'

A bubble is a financial market process with a rapid escalation of asset prices followed by those prices falling away. Part of the definition of a bubble is that the fundamentals of the assets do not suggest that a price surge is justified. Instead, exuberant market behaviour drives that surge. When no more investors are prepared to buy at the elevated price, a massive selloff occurs, causing the bubble to deflate. Examples in history include the 1600s “Tulip Mania” in the Netherlands, the “South Sea Bubble” in England in the 1710s and the “Dotcom Bubble” in the USA that culminated in the year 2000.

'Bull market (bullish)'

A bull market is where share or other asset prices are going up. The connected adjective is “bullish”.

It is opposite to a bear market where prices are going down.

'Business cycle'

A business cycle is the variation in growth that an economy experiences over a period of time. A business cycle is basically defined in terms of periods of expansion or recession.

'Buy side'

Buy side is the segment of the stock market industry comprising investing institutions such as mutual funds, pension funds and insurance firms that tend to buy large portions of securities for money-management purposes.

C

'Calendar year returns'

Calendar year returns are the performance of an investment from 1 January to 31 December in any given year.

'Capital Asset Pricing Model' **(‘CAPM’)**

The capital asset pricing model (CAPM) assesses the relationship between expected return and the expected volatility (systematic risk, or violence of movement) of stocks or other assets. CAPM use is widespread for pricing risky securities. It enables the calculation of expected returns for assets given the risk of those assets and generating costs of capital.

The formula is as follows:

R(e) = Rf + β (R(m) – Rf)

R(e) = Expected return or the cost of capital (usually annual if Rf and R(m) are also annual assumptions)

Rf = the "risk free rate" of investing. Commonly the annual return or yield of a benchmark bond

β = beta: a measurement of the expected volatility or systematic risk of an investment versus the volatility of the market as a whole

R(m) = the expected annual return of the market

'Capital gain'

A capital gain happens when an investment is sold at a higher price than when it was purchased. The investor has made a profit on his/her investment.

'Capital gains tax (CGT)'

Individuals are usually required to pay capital gains tax (CGT) on an increase in value that is realised upon the sale of assets. In the Czech Republic, the rate of capital gains tax is the same as the individual's income tax rate (a base rate of 15% + solidarity tax of 7%). No capital gains tax is liable on assets held for over 3 years.

'Capital growth'

If a fund states as its objective 'to seek capital growth', the underlying investments will be those the investment manager believes have the potential to grow in value over time. Conversely, a fund with an objective of paying income is one that seeks to invest in stocks (or other asset types) that pay higher dividend yields.

'Capital protection'

Capital protection is an investment made where the objective is to preserve a specified amount of the initial investment.

'Closed ended fund'

A closed ended fund, such as an investment trust, has a fixed number of shares and is structured in a similar way to a company. Conversely, an open ended fund (or mutual fund) , has no limit on the number of shares or units..

'Collective investment scheme'

A collective investment scheme is a generic term for investment funds with more than one investor, such as FKIs, SICAVs and investment trusts, which are managed by professional managers.

'Commission'

Commission is sometimes paid by a financial services company to professional intermediaries who distribute products on their behalf. It is a policy of Encor Wealth Management to rebate all of the commission received in this way to our clients.

'Commodities'

Commodities are a type of asset (an 'asset class') which include a broad range of physical assets such as oil and gas, precious, ferrous and non-ferrous metals and agricultural products.

'Consumer price inflation (CPI)'

The Consumer Price Index (CPI) examines the weighted average of prices of a defined basket of consumer goods and services. These may include food, energy, transport and housing. It is calculated by taking pricesfor each item in a defined basket of goods at two points in time and averaging them. Changes in the CPI are calculated as the difference between the price baskets. The CPI rate of change is used to assess price changes associated with the cost of living; the CPI is one of the most often- used statistics for identifying periods of inflation or deflation.

'Contract for Difference (CFDs)'

CFDs provide investors with the benefits and risks of owning a security without actually owning it. There is no delivery of physical goods or securities, which means that CFDs are generally regarded as an easier method of settlement because losses and gains are paid in cash. These arrangements are made through futures contracts.

'Contract note'

A contract note will be sent out to investors when a transaction is completed - it is a legal document including all the details relating to a deal.

'Convertible bond'

A convertible bond is a type of debt security that can be converted into a predetermined amount of the underlying company's equity at certain times during the bond's life, usually at the discretion of the bondholder. Convertible bonds are a flexible financing option for companies and are particularly useful for companies with high risk/reward profiles.

'Corporate bond'

A corporate bond is issued by a company and sold to investors. As a debt security and similar to government bonds, corporate bonds will pay a regular rate of interest and will generally be redeemed at their issue price on a set date.

'Corporate governance'

Corporate governance is a scheme of good practices, rules and processes via which a company is managed and controlled. Corporate governance endeavours to balance the interests of a company's numerous stakeholders, including bondholders, shareholders, suppliers, customers, management, , financiers, the taxman and the community.

'Correction'

Professional investors and analysts use the term 'correction' when a market is falling but in the situation where they believe share prices are simply coming back to more realistic levels following a period of over-valuation.

'Correlation'

Correlation measures the degree to which two securities move in relation to each other in the financial markets. Correlation coefficients can be calculated, with a value that must always fall between -1 and 1. A perfect positive correlation coefficient of exactly 1 implies that as one security moves, either up or down, the other security moves in lockstep, in the same direction. A perfect negative correlation (-1) means that two assets move in precisely the opposite direction all the time, while a zero correlation implies no relationship at all.

'Corruption'

Corruption is unethical or dishonest behaviour, the abuse of entrusted power for private gain. Corruption by those in positions of power can include giving or accepting bribes or inappropriate gifts, under-the-table transactions, diverting funds, laundering money and defrauding investors. Financial professionals are required to adhere to a code of ethics and avoid situations that could create a conflict of interest.

'Cost of capital'

The cost of funds used for financing a business. Cost of capital depends on the mode of financing used – it refers to the cost of equity if the business is financed solely through equity, or to the cost of debt if it is financed solely through debt. The cost of equity can be calculated using the Capital Asset Pricing Model.

'Coupon'

A coupon is the regular interest payment that is paid on a bond. It is described as a percentage of the face value of an investment. If a bond has a face value of CZK10,000 with a 4% coupon, for example, the bond will pay CZK 400 a year in interest.

'Credit market'

Credit market refers to the market through which companies and governments issue debt to investors, such as investment-grade bonds, junk bonds and short-term commercial paper. Sometimes called the debt market, the credit market also includes debt offerings, such as notes, and securitized obligations, including mortgage pools, collateralized debt obligations (CDOs) and credit default swaps (CDS).

'Credit rating'

Credit ratings assess the creditworthiness of a borrower or of a particular debt. A credit rating may be assigned by a credit agency to any entity that seeks to borrow money – an individual, corporation, authority or sovereign government. Examples of credit rating agencies include the USA’s Standard & Poor’s, Fitch and Moody’s.

'Credit risk'

Credit risk is the risk that a bond issuer may not be able to meet an obligation to investors and will default on debt capital or interest payments.

'Cryptocurrency'

A cryptocurrency is a virtual currency. It uses cryptography for security and is therefore tricky to counterfeit or copy. In this way it creates security for a holder of it. Cryptocurrencies are (thus far) not issued by central government agencies and therefore have a certain appeal in today’s financial markets.

'Crowdfunding'

Crowdfunding is the phenomenon of small amounts of capital from a large number of individuals assembled to finance a new business venture. Crowdfunding makes use of the easy accessibility of vast networks of people through social media and crowdfunding websites to bring investors and entrepreneurs together.

'Currency forwards (hedging)'

Currency hedging is the act of entering into a financial contract in order to protect against unexpected, expected or anticipated changes in currency exchange rates in the future. A forward contract locks in the exchange rate for the purchase or sale of a currency on a future date. Hedging can be likened to an insurance policy that limits the impact of foreign exchange risk. Hedging is often achieved through the use of derivatives such as options or futures. Unlike currency forwards, futures and options require the payment of an upfront premium.

'Currency risk'

When an investor or a fund invests in assets that are priced in a different currency to that which the investor thinks in or the fund is priced in, there is a risk of losses occurring due to adverse currency movements.

'Current yield'

The current yield is the annual interest to be paid or received on an asset, divided by the asset's current market price.

D

'Default risk'

Default risk is the risk that a bond issuer may not be able to meet its contractual obligation to investors and will default (not pay) interest payments due on a bond issued by the issuer. Credit Default Swaps (CDSs) are the market's attempt to create financial instruments out of the probability of default of an issuer.

'Defensive investment strategy'

A conservative method of portfolio allocation and management aimed at minimizing the risk of losing principal (the original money invested by the client). This would feature regular portfolio rebalancing, high-quality and short-maturity bonds and blue-chip stocks, high diversification and holding cash in down-markets.

'Depository'

. In the financial world a depository is an institution that holds and facilitates the exchange of securities. Central security depositories allow brokers and other financial companies, such as fund managers, to deposit securities where book entry and other services can be performed, like clearance, settlement and securities borrowing and lending. Asset managers and wealth managers have a statutory duty to safekeeping and limit controlling functions and these can be performed by a depository agency, such as a bank.

'Derivatives'

Derivatives are securities whose value is derived from that of another investment. The term applies to products such as futures, options and warrants. Derivatives can be used for investment reasons (to try to make money) or to limit risk, reduce costs and/or generate additional income. Investing in derivatives also carries risks, however. In the case of a ‘short’ position, for example, where an investor aims to profit from falling prices, if the price of the underlying asset rises in value, the investor will lose money.

'Diversification'
Diversification is an asset management technique that Encor deploys. If assets are diversified, the total amount of a clients' money is spread amongst a range of types of investment. This can reduce the risk of loss through exposure to only one individual asset, type of asset or sector.

'Dividend'
A dividend is the amount, usually expressed on a per-share basis, that a company pays to its shareholders (or that a fund pays to its investors) from after-tax earnings.

'Dividend reinvestment'
When any income received from an investment in the form of a dividend is not distributed to investors but is instead used to buy additional units or shares in the same investment, it is referred to as dividend reinvestment.

'Dividend tax'

Dividend tax is paid in the Czech Republic at source, so if a company pays out a dividend to an investor, the applicable 15% tax is already removed from the dividend payment and paid by the company. This policy or tax rate is not necessarily applicable to every investment/tax jurisdiction.

'Dividend yield'
Dividend yield is the annual dividend paid by a company or fund on a per-share basis, divided by the current share price, and expressed as a percentage.

'Domicile'
Domicile is the location of a fund (or a company) for legal purposes.

'Duration'
Duration assesses the sensitivity of bond prices to changes in interest rates. Duration is stated as a number of years. The longer the duration the more sensitive it is and the greater the opportunity for returns for an investor. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

E

'Earnings per share (EPS)'
Earnings per share is the calculation of the profits of a company that are attributable to each share in that company. EPS is calculated by dividing the profits of a company after tax by the number of shares in issue. A weighted average number of shares should be used when the number of shares in issue has changed in a reporting period.

'EBITDA'
EBITDA stands for earnings before interest, taxes, depreciation and amortization. EBITDA is one indicator of a company's financial performance and is used as a proxy for the earning potential of a business. EBITDA strips out the cost of debt capital and its tax effects by adding back interest and taxes to earnings.

'Economic cycle'

An economic cycle is the variation in growth that an economy experiences over a period of time. Any economy may expand (growth) or experience a contraction, or recession.. Factors such as gross domestic product (GDP), interest rates, levels of employment and consumer spending can help an analyst or investor to determine the current stage of the economic cycle.

'Efficient frontier'

The efficient frontier is a sequence of optimal portfolios that display the lowest risk for a given level of expected return or the highest expected return for a defined level of risk.. Portfolios that lie below the efficient frontier are described as sub-optimal, because they do not provide enough return for the level of risk taken. Portfolios that appear to the right of the efficient frontier are also sub-optimal, because they have a higher level of risk for the defined rate of return.

Forming part of modern portfolio theory (MPT), an illustration of the efficient frontier is as follows: if very possible combination of assets that exists can be plotted on a graph, with the portfolio's risk on the X-axis and the expected return on the Y-axis. This plot reveals the most desirable portfolios. For example, assume Portfolio A has an expected return of 6.5% and a standard deviation of 7%, and that Portfolio B has an expected return of 6.5% and a standard deviation of 9.0%. Portfolio A is more "efficient" because it has the same expected return but a lower risk. It is possible to draw an upward sloping hyperbola to connect all of the most efficient portfolios, and this is known as the efficient frontier. Investing in any portfolio not on this curve is seen as not desirable.

'EMEA'

EMEA is an acronym, short for Europe, Middle East and Africa.

'Emerging Markets'

An emerging market economy is a nation's economy that is progressing toward becoming advanced, as shown by some liquidity in local debt and equity markets and the existence of some form of market exchange and regulatory body. Emerging markets are not as advanced as developed countries. The economies of Emerging Markets are generally growing faster than advanced economies; that growth should then compensate the investor for greater market and economic risks.

'Equities'

Equities is another term for shares in a company.

'Equity basket'

A basket is a single unit of at least 5 stocks that are used in programme trading, index fund management and currency portfolio management. At Encor Wealth Management, a Czech equity basket of stocks is maintained for Prague Stock Exchange equity exposure.

'Equity market'

The market in which shares are issued and traded, either through exchanges or over-the-counter facilities. Also known as the stock market.

'Ethical investments'
Ethical investments take factors other than simply the potential financial return of an investment into account - these can be environmental or humanitarian in concept. For example, an ethical investment portfolio might not invest in tobacco or oil companies, or in companies that use cheap labour in developing countries. Also known as “socially-responsible investing” (“SRI”)

'Exchange Traded Fund (ETF)'
An exchange traded fund is a fund that tracks an index, a commodity or a basket of assets. An ETF trades like a company share on an exchange. ETFs experience price changes throughout the day as they are bought and sold. For example, an ETF holds assets such as stocks or bonds and trades over the course of the trading day at approximately the same price as the net asset value of its underlying assets. Most ETFs track an index, such as the US S&P 500 Index.

'Ex-dividend date'
The ex-dividend date, also known as the XD date, is the date on which any dividend income to be paid is taken out of the value of a fund or company's shares or units, thereby reflecting that payment in the value of the share/unit. The share price should drop by this amount on the opening of trading that day.

'Execution-only'
'Execution-only' refers to investors who make investments directly, rather than investors who take financial advice from a professional adviser and use the adviser to make investments on their behalf.

'Expense ratio'
The expense ratio is the cost an investment company incurs to operate a mutual fund. An expense ratio is expressed usually through an annual calculation, where a fund's operating expenses through the year are divided by the average value of its assets under management (AUM).

F

'FANG, FAANG, FAAMG, FANTASIA'
Acronyms presently being used in the US stock market to represent groups of highly-valued tech-oriented growth stocks.
FANG = Facebook/Apple/Netflix/Google;
FAANG = Facebook/Apple/Amazon/Netflix/Google.
FAAMG = Facebook/Apple/Amazon/Microsoft/Google.
FANTASIA=Facebook/Apple/Netflix/Tesla/Alphabet/Salesforce/Intel/Amazon

'Fact find'
Most financial advisers will conduct a 'fact find' with a new client to establish details such as current income and outgoings, current investments and objectives. The information gained is used as a basis for providing appropriate and meaningful financial advice.

'Factor investing (factor-based investing)'

The principle behind factor (or factor-based) investing is to seek out securities with higher returns via identifying attributes such as risk, size or style (style being growth versus value). These factors are then tested in different historical market conditions to create increased confidence in their ability to generate higher returns in the future.

'Factsheet'

A factsheet is a document that provides information about a fund - typically the fund's objective, the stocks and assets in which the fund invests, the performance of the fund, the risks of investing in the fund, and other relevant information for investors and potential investors.

'Fiduciary (duty)'

A fiduciary is a person or corporate entity that has the obligation of the duties of good faith and trust. It requires the highest legal duty of one party to another andalso involves being bound ethically to act in the other's best interests. A fiduciary in the financial world would be managing the assets of another person, or of a group of people, for example. Encor Wealth Management strives to carry out its fiduciary duties with all counter-parties.

'Financial adviser'

A financial adviser is a professional who offers advice on financial matters to individuals and recommends suitable financial products. Advisers are regulated by the Czech National Bank and must follow a strict code of conduct. Individuals can consult an adviser on a range of financial matters including investments, retirement planning, insurance, protection, mortgages and other loans. A financial adviser may also advise on some tax and legal matters.

'Fixed income security'

A fixed income security is an alternative name for a bond or financial obligation which requires the borrower to pay a fixed amount of interest during the period of issue and to repay the issue price (principal) when the instrument expires.

'Fixed interest'

Fixed interest refers to a fixed income security, which is an alternative term for a bond or similar instrument which requires the borrower to pay a fixed amount of interest during the period of issue and to repay the issue price when the instrument expires.

'Focus'

Enables an investor to determine the objective of a fund - for example, focusing on growing the capital value of the fund or aiming to achieve income for holders.

'Foreign Direct Investment' ('FDI')

Foreign direct investment (FDI) is money put to work in another country by a company or individual., It can be through establishing business operations or acquiring business assets in the receiving country. Direct investments are distinct from 'portfolio' investments where shares are bought.

'Foreign exchange (FOREX, FX)'

Foreign exchange is the swapping of money in one currency for another currency. Foreign exchange is also a term for the global market where currencies are traded virtually around the clock. Foreign exchange is usually abbreviated as "forex" and occasionally as "FX." The largest forex trading centres are London, New York, Singapore and Tokyo.

'Foreign exchange reserves'

Foreign exchange reserves is money held by a central bank (for example the Czech National Bank) in foreign currencies, used to back liabilities on their own issued currency as well as to influence monetary policy.

'Frontier markets'

Less advanced capital markets from the developing world. Frontier markets are countries with investable stock markets that are less established than those in the emerging markets.

'Fund manager' **(or 'Asset manager')**

A fund manager is the person who runs a fund and makes investment decisions.

'Fund objective'

A fund's objective is what the fund aspires to achieve. It sets out in broad terms the remit and focus of the fund and guides the fund manager in their overall selection of stocks or assets.

'Fund of funds (FOF)'

A 'fund of funds' is an investment strategy of investing in a portfolio of other investment funds rather than holding directly stocks, bonds or other securities. This type of investing is often referred to as multi-manager investment.

'Fund size'

A fund's size is its net asset value, being the total value of a fund, measured by taking the total value of its assets, minus its liabilities. It is effectively the total value of all investments in a fund.

'Funds'

A fund is a generic term for many different types of collective investment schemes, such as FKIs, SICAVs, investment trusts, venture capital trusts and hedge funds.

'Funds for Qualified Investors (FKIs)'

A category of funds existing in the Czech Republic. Only certain investors can invest in the FKI: A regulated financial entity, professional clients which must fulfil certain criteria regarding their experience with financial markets and any other investor who invest into IF at least EUR 125,000 and declares that he/she is aware of the risks. The minimum capital of the fund of EUR 1,250,000 to be gained within 12 months from establishment.

'Futures'

A future is an agreement to buy or sell an asset such as a bond or equity, on a specific date in the future at a price that is agreed today. Futures can be used either to hedge or to speculate on the price movement of the underlying asset. To buy a future a fee (a premium) is usually paid as opposed to forward agreements where fees are not generally paid.

G

'Gearing'

Gearing or leverage is the measure of a company's level of long-term debt (or borrowing) compared to its equity capital, often expressed as a percentage. It is a measure of a company’s financial exposure and indicates the extent to which its operations are funded by lenders versus shareholders.

'General data protection regulation – (GDPR)'

General data protection regulation (GDPR) is an EU framework setting out the principles for data management by companies who collect it and the rights of the individual providing it. Provisions include the appointment of data protection officers at companies, the need to obtain specific consent to retain the data, notifications of collection and legal consequences if the data is misused.

'Gross Domestic Product (GDP)’

Gross domestic product (GDP) is the total sum of all the finished goods and services produced in a country in a specific time period. It is usually calculated quarterly and annually, on a more comprehensive basis. The growth of GDP in a time period is followed very closely as an economic indicator by financial market participants. Dividing it by the population of a country allows comparison of ‘GDP per capita’ ratios.

'Gross redemption yield'

The gross redemption yield is the total return for a bond including the expected income and the capital return. It may also include capital growth over the bond’s life.

'Growth fund'

A growth fund is a fund whose main objective is to increase the value of its investments over time (capital appreciation). Conversely, an income fund's main aim is to provide income to investors in the form of dividend or interest payments.

'Growth philosophy'

Growth investors aim to invest in companies where they believe the earnings per share growth will be in excess of what the market expects.

'Growth stock'

A growth stock refers to a company that is expected to produce increasing profits and exceed the average returns of the relevant stockmarket over time.

H

'Hedge fund'

A hedge fund is an often aggressively-managed portfolio of investments that uses many different and perhaps advanced investment strategies such as leveraged, long, short and derivative positions in both domestic and international markets with the goal of generating high returns (either in an absolute sense or over a specified market benchmark, known as ‘alpha’). Investing in hedge funds is only suitable for sophisticated experienced investors.

'High-frequency trading'

Utilising algorithms on powerful computers, high-frequency trading aims to execute very large numbers of buy and sell orders at very high speeds. The algorithms are able to analyse many factors and transact based on market conditions. Speed is of the essence: a faster trading computer should out-perform a slower one.

'High-yield bond'

A high-yield bond has a lower credit rating than 'investment grade' bonds. It has a higher risk of default and therefore pays a higher yield. Credit ratings are awarded by credit rating agencies.

I

'Illiquidity'

Illiquidity is a situation where a company or a financial institution (such as a bank) is unable to obtain cash necessary to meet its debt obligations. ‘Insolvency’ is difficult for a bank to resolve: illiquidity is often fatal for a bank.

'Implied volatility'

Implied volatility is the estimate of the volatility (violence of future movement) of a security's price by financial market participants. When expressed as a type of financial instrument, it estimates the future fluctuations of a security's worth. The US “VIX Index” is an example. In general, implied volatility increases when investors are bearish, when investors believe that the asset's price will decline over time, and decreases when the market is bullish, when investors believe that the price will rise over time. This is because of the common belief that bearish markets are riskier than bullish markets. As a financial construct, implied volatility is different from “realised volatility”, which is a calculation of past actual price fluctuations of a security or index.

'Incentive fee'

An incentive fee, also called a performance fee, is a payment made to a fund manager as a reward for generating positive returns. The fee is usually dependent upon the manager achieving specified performance returns over a set period of time and is generally calculated as a percentage of investment returns. Encor Wealth Management does not charge incentive fees and has an investment philosophy aimed to select low-cost assets that by nature also do not have incentive fee structures within them.

'Income fund'

An income fund is one whose main aim is to provide income to investors in the form of dividend or interest payments. In contrast, a growth fund is one where the main objective is to increase the value of its investments over time (capital appreciation).

'Index'

An index is an indicator of the value of a sector of shares in a market. The most common index in Czechia is the PX index which is an indication of the performance of the top listed companies shares by market capitalisation on the Prague Stock Exchange.

'Index fund'

An index fund does not attempt to outperform a particular benchmark, but instead aims to match a particular index's performance by buying the same constituent shares of the index in the same percentage sizes. Success will be measured by the 'tracking error' - the amount by which the fund's return differs from that of the index. Index funds are also known as tracker funds or passive funds.

'Inflation'

Inflation is a measure of the increase in prices of goods and services over time. It is usually expressed as a percentage.

'Initial Public Offering (IPO)'

An initial public offering (IPO) is the debut of a private company into public stock markets. IPOs are often issued by smaller, younger companies seeking capital to expand, but they can also be executed by large privately-owned companies or government-owned entities looking to become publicly traded. In an IPO, the issuer obtains the assistance of an underwriting firm, which helps determine what type of security to issue, the best offering price, the amount of shares to be issued and the best timing to bring it to market.

'Insolvency'

Insolvency occurs when an entity, or person, can no longer meet its financial obligations with creditors as debts become due. An insolvent person, company or entity will likely be involved in informal arrangements with creditors, such as making alternative payment arrangements, before entering formal insolvency proceedings.

'Interest rate'

The interest rate is the amount charged, stated as a percentage of the loan principal, for the use of assets (such as money) by a lender to a borrower. When the borrower is a low-risk party, they will usually be charged a low interest rate; if the borrower is considered high risk, the interest rate that they are charged will naturally be higher.

'Inverse ETF'

An inverse ETF is an exchange-traded fund (ETF) created to profit from a decline in the value of an underlying index or benchmark. Investing in inverse ETFs is similar to holding short positions. Also known as a "Short ETF," or "Bear ETF." Encor Wealth Management utilises ETFs but does not utilise inverse ETFs.

'Investment trust'

An investment trust is a publicly-quoted company that invests its shareholders' funds in the shares of other companies. An investment trust is a collective investment scheme, but has a fixed number of shares.

'Investment-grade bond'

An investment-grade bond is a bond which has a higher credit rating than 'high yield' bonds. It is considered to have a lower risk of default and therefore pays a lower yield.

'ISIN'

An International Securities Identification Number (ISIN) uniquely identifies a security, such as shares, options, debt securities, derivatives and futures. The ISIN code is a 12-character alpha-numerical code intended for uniform identification of a security during trading and settlement.

J

'Junk bond'

A junk bond has a lower credit rating than 'investment grade' bonds. It has a higher risk of default and therefore pays a higher yield. Credit ratings are awarded by credit rating agencies.

K

L

'Law of supply and demand'

A theory explaining the interaction between the supply of a resource and the demand for that resource. The balance between the availability of a product and the desire (or demand) for that product defines the price. Generally, a low supply and a high demand increases price, and in contrast, the greater the supply and the lower the demand, the lower the price tends to fall.

'Leverage'

Gearing or leverage is the measure of a company's level of long-term debt (or borrowing) compared to its equity capital, often expressed as a percentage. It is a measure of a company’s financial exposure and indicates the extent to which its operations are funded by lenders versus shareholders.

'LIBOR'

LIBOR or ICE LIBOR is a benchmarking interest rate that some of the world’s leading banks charge each other for short-term loans. It stands for IntercontinentalExchange London Interbank Offered Rate and serves as the first step to calculating interest rates on various loans throughout the world. LIBOR is administered by the ICE Benchmark Administration (IBA)., LIBOR is quoted in 5 currencies: U.S. dollar (USD), Euro (EUR), pound sterling (GBP), Japanese yen (JPY) and Swiss franc (CHF), and serves seven different maturities: overnight, one week, and 1, 2, 3, 6 and 12 months. There are a total of 35 different LIBOR rates each business day. The most commonly quoted rate is the three-month U.S. dollar rate.

'Liquidation'

In the context of asset and wealth management, “liquidation” means the selling of all the assets belonging to a client and the return of the raised proceeds of those sales and any income received back to the client.

'Liquidity'

Liquidity refers to the ease of dealing in an equity or bond and turning it into cash. It is the ability to convert an asset to cash quickly. Liquidity is often calculated by using liquidity ratios.

'Listing particulars'

Listing particulars refer to details a company - including a collective investment scheme such as an investment trust - is obliged to publish about itself together with any securities it issues before it obtains a listing on a recognised stock exchange. Listing particulars are usually published in the form of a prospectus prior to flotation.

‘Long bond'

The 30-year U.S. Treasury Bond. The long bond is so called because it is the bond with the longest maturity issued by the U.S. Treasury. It pays interest semi-annually, and is the most actively traded bond in the world. Because it is backed by the full might of the U.S Treasury and has a low default risk, the long bond is considered by market participants as one of the safest securities around. It is thus considered as a proxy for a “risk-free rate” of investing.

'Long position (or long exposure)'

A 'long position' is the purchase of a security, commodity or financial instrument (for example, shares or bonds) in the belief that its price will rise, with the aim of making a gain from the increase. Conversely, a 'short position' is when an investor borrows a share or other financial instrument (for a fee) and then sells it. The investor does this in the expectation that the price will fall and the share or position can be bought back at a lower price later, thus making a profit. The investor then returns the borrowed shares.

M

'Macro-economic'

Macro-economic environment/backdrop refers to conditions that exist in the economy as a whole. This will generally include trends such as inflation, employment, spending, GDP (Gross Domestic Product) and fiscal policy.

'Management fee'

A management fee is a charge levied by an investment manager for managing an investment fund. The management fee is intended to compensate the managers for their time and expertise for selecting investments and managing the portfolio. It can also include other items such as investor relations expenses and the administration costs of the fund.

'Market capitalisation'

Market capitalisation is the total value of a company, calculated by multiplying the number of shares in issue by the current price of the shares.

'Market cycles'

1. In financial markets: trends or patterns that may exist in a given market environment, allowing some securities or asset classes to outperform others. The securities themselves may exhibit price patterns in their trading.

2. In the real economy: Trends within a particular sector or industry created by a particular innovation, product line, or regulatory environment. Revenue and net profits may exhibit similar growth patterns among many companies within a given industry.

'Market neutral'

A market-neutral investment strategy looks to profit from both rising and falling prices in one or more markets. It attempts to avoid completely some specific form of market risk. Matching long and short positions in different stocks to raise the return from making good stock selections and lower the return from broad market movements are often deployed.

'Market risk premium'

The market risk premium is the expected return on a market portfolio minus the risk-free rate. This sum is used in the Capital Asset Pricing Model. The market risk premium assesses the amount of return an investor requires to be invested in a stock market relative to a safe, “risk free” investment. The historical market risk premium will be the same for all investors since the value is based on what actually happened. Any required and expected future market premiums used as an assumption- will differ from investor to investor based on risk tolerance and investing styles.

'Maturity'

Maturity refers to the date when the original investment in a bond is repaid. It can also mean the end of the life of a future or option.

'Mid price'

The mid price is the price midway between a stock or fund's purchase price (offer price) and selling price (bid price).

'MIFID'

MIFID stands for “markets in financial instruments directive” and is an EU regulation. It aims to standardize the regulatory disclosures required for financial firms to carry out, particularly connected with the trading of securities. The original directive dates from 2008. A second directive (MIFID 2) which is coming into force at the end of 2017 covering regulation of firms from countries outside of the EU and more detailed supervision of trading commissions and payment for sell side (investment banking) research. The aim of MIFID is the protection of investors.

'Mr. Market'

An imaginary investor created by Benjamin Graham in his 1949 book "The Intelligent Investor". Panic, euphoria and apathy (on any given day), drives Mr Market’s decision-making and he approaches his investing as a reaction to his mood, rather than through solid analysis. Devised as a clever way of illustrating the need for investors to make rational decisions when investing instead of allowing emotions to play a deciding role, the philosophy is followed by Warren Buffett. Mr. Market teaches that although prices fluctuate, it is important to look at the big picture (fundamentals) instead of reacting to temporary emotional responses.

'Modern portfolio theory (MPT)'

Modern portfolio theory (MPT) sets out how risk-conscious investors can assemble portfolios to maximize or optimize expected future returns taking into account a given level of market risk. The premise that taking risk is an inherent part of greater reward is paramount. An "efficient frontier" of optimal portfolios offering the maximum possible expected return for a given level of risk is feasible to assemble.

MPT assumes that investors are risk-averse, preferring a less risky portfolio to a more risky one for a given level of return. This implies than an investor will take on more risk only if they are expecting more reward.

Every possible combination of assets that exists can be plotted on a graph, with the portfolio's risk on the X-axis and the expected return on the Y-axis. This plot reveals the most desirable portfolios. For example, assume Portfolio A has an expected return of 6.5% and a standard deviation of 7%, and that Portfolio B has an expected return of 6.5% and a standard deviation of 9.0%. Portfolio A is more "efficient" because it has the same expected return but a lower risk. It is possible to draw an upward sloping hyperbola to connect all of the most efficient portfolios, and this is known as the efficient frontier. Investing in any portfolio not on this curve is seen as not desirable.

'Monetary Policy Committee (MPC)'

The Monetary Policy Committee is a committee of the Czech National Bank. It sets interest rates in Czechia. The committee sets an interest rate it judges will enable the 12-month to 18-month inflation target to be met.

'Money laundering'

Money laundering is the process of passing money gained illegally through a financial system to seemingly convert it to legitimate funds. Financial services firms based in Czechia are required to have procedures in place to prevent money laundering. This involves the verification of client identity and address in an attempt to safeguard against and reduce the scope for financial crime.

'Money market fund'

A money market fund aims to reap interest for shareholders while keeping a net asset value (NAV) of 100% of the invested amount. A money market fund’s portfolio contains short-term securities seen as liquid and high-quality monetary instruments. Money market funds have struggled for popularity in the past 2-3 years when interest rates and short-term bond yields have approached and dipped below 0%.

'Money supply'

Money supply is the entire stock of local currency and other liquid monetary instruments circulating in a country's economy at a particular time. Money supply includes cash, coins, and balances held in checking and savings accounts that businesses and individuals can use to make payments or hold as short-term investments. Economists and policymakers analyse money supply because of the possible impacts on prices, inflation and the business cycle.

'Multi-asset strategy'

A 'multi-asset strategy' is a method of investment portfolio construction. Multi-asset strategies can often match well with an individual's objectives and time horizons as they are by nature made up of smaller building blocks. These include "asset classes" such as listed (stock market) equities, bonds, cash, real estate, various commodities (for example gold or oil), private equity and also subdivisions of these classes, for example high-growth equities, Emerging Market bonds or stocks in the US or UK markets paying out high income (dividends).

'Multiple'

A multiple measures some aspect of a company's financial well-being, determined by dividing one metric by another metric. The metric in the numerator is typically larger than the one in the denominator.

For example, a multiple can be used to show how much investors are willing to pay per dollar of earnings, as computed by the price-to-earnings (P/E) ratio. Assume you are analyzing a stock with CZK 2 of earnings per share (EPS) that is trading at CZK 20. This stock has a P/E ratio of 10. This means investors are willing to pay a multiple of 10 times the current EPS for the stock.

'Mutual fund'

A mutual fund, which can be also termed a 'collective investment scheme', is a very common investment vehicle that is made up of a pool of funds collected from multiple investors to invest in securities such as stocks, bonds, money market instruments and similar assets. Asset managers are deployed to invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

N

'NASDAQ'

NASDAQ is an electronic exchange for buying and selling securities. The acronym NASDAQ is also used to refer to the NASDAQ Composite, an index of more than 3,000 stocks listed on the NASDAQ exchange that includes the world's largest technology and biotech giants such as Apple, Google and Microsoft.

'Net asset value (NAV)'

Net asset value is the sum value of a company or fund, measured by adding up the total value of its assets, minus its liabilities. The NAV per unit or share can be arrived at by dividing the NAV by the number of units or shares in issue. This term is used to describe the underlying value of a fund's units or shares.

'Net exposure'

Net exposure is a hedge fund's long asset positions minus its short asset positions (where the manager is positioned to benefit from prices falling). Net exposure is a measure of the extent to which a fund's portfolio is exposed to market fluctuations. The fund manager will adjust the net exposure in accordance with his or her investment outlook – bullish, bearish or neutral. A fund has a net long exposure if the percentage amount invested in long positions exceeds the percentage amount invested in short positions, and has a net short position if short positions exceed long positions. For example, a manager who has an 90% long exposure and 50% short exposure, has a net market exposure of 40%, and a gross exposure of 140%. Encor Wealth Management does not run funds with this type of mandate. Net exposure is also referred to as 'net market exposure'.

'Net gearing'

Net gearing assesses a company's level of long-term debt (or borrowing) minus its cash position compared to its equity capital, usually expressed as a percentage.

'Nominee company'

A nominee company is a firm that asset managers transfer shares/stocks or other assets in order to facilitate transactions, while leaving the customer as the actual owner. A 'nominee account' is where a stockbroker holds shares belonging to clients, allowing easier buying and selling of those shares.

O

'Ongoing charges'

Ongoing charges, deducted from the net assets of a fund, are the annual operating expenses of running that fund. Ongoing charges include fees paid for investment management (the ‘annual management charge’), custody, administration and the cost of independent oversight functions. They exclude portfolio transaction costs.

'Online brokerage'

An online brokerage carries out the same function as a stockbroker, the buying and selling of securities through a stock market, or over the counter, in securities for a fee or commission. Most examples of online brokers are simply a secure interface for investors placing trade orders. As such, they often charge low fees for their services compared to the classic stockbrokerage model.

'Open ended fund'

An open ended fund refers to investment vehicles such as mutual funds where the number of units/shares is able to be varied according to demand.

'Options'

Options are contracts that give the holder the right, but not the obligation, to buy or sell an asset at an agreed price on or before a specified date. Buyers of options pay a fee, a premium to purchase a contract. They are a financial derivative that represents a contract sold by one party (an option writer) to another party (an option holder). The contract offers the buyer/holder the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time in the future or on a specific date (exercise date). Call options give the option to buy at certain price, so the buyer would wish the stock to go up in order to make a profit. Put options give the option to sell at a certain price, so the buyer would wish the stock to go down.

'Ordinary share'

An ordinary share is a share (or a 'stock') representing an interest in a company and has full voting rights and dividend entitlements. A preference share is similar, but pays a predetermined fixed price dividend, with preference shareholders receiving priority over ordinary shareholders when receiving their dividends and in the distribution of assets.

'OPEC'

The Organization of Petroleum Exporting Countries (OPEC) is a group consisting of 14 of the world's major oil-exporting nations. OPEC was founded in 1960 to coordinate the petroleum policies of its members, and to provide member states with technical and economic aid. OPEC is a cartel that aims to manage the supply of oil in an effort to set the price of oil on the world market, in order to avoid fluctuations that might affect the economies of both producing and purchasing countries.

'Over-the-counter (OTC)'

Over-the-counter (OTC) is the trading of securities in some place, such as a dealer network, versus on a formal exchange such as the New York Stock Exchange (NYSE) or the Prague Stock Exchange (PSE). OTC also refers to debt securities and other financial instruments, such as derivatives, which are traded through a dealer network.

'Overweight'

Being 'overweight' in the financial world is when a fund has a greater percentage weighting in an asset class, stock, sector or geographical region than the index or benchmark against which it is measured. For example, if a fund has a 10% weighting in Asian equities, but its benchmark has a 7% weighting, the fund is 3% overweight.

P

'Passive ETF'

. Passive ETFs are index funds that track a specific benchmark. Passive ETFs are not managed by a fund manager on a daily basis. Actively-managed ETFs, the other type, are managed on a daily basis.

'Passive management'

Passive management is a style of asset or investment management that aims to replicate the performance of a benchmark or index. ’Active management' is the opposing methodology

'Pay date'

The pay date is the date on which a dividend is distributed to unit or share holders in a fund.

'Payout ratio'

The payout ratio is the percentage of profits (net income, or earnings) paid out as dividends to shareholders.. The payout ratio is also the dividends paid out as a proportion of cash flow. This ratio is a key financial metric utilised to determine the sustainability of a company’s dividend payments. A lower payout ratio is generally preferable to a higher payout ratio., A ratio greater than 100% flags that the company is paying out more in dividends than it makes in net income.

'Per capita'

Per capita is a Latin phrase that translates into "by head," basically meaning "average per person." Per capita replaces "per person" The phrase is used in most situations in relation to economic data or reporting but it can also be used in almost any other occurrence of population description.

'Performance'

Performance is an alternative wordfor the return on an investment. Performance is expressed as a percentage of the value of the investment at the start of a set period.
The performance of most funds is typically expressed as a 'total return'. Capital appreciation (or depreciation) and any income paid out by the investment summed together make up the 'total return'.

'Performance fee'

The performance fee, also known as the incentive fee, is a payment to a fund manager for generating positive returns. The fee usually depends upon the manager achieving specified performance returns over a set period of time and is generally calculated as a percentage of investment returns. Encor Wealth Management does not charge performance fees.

'Portfolio'

A portfolio is a collection of financial assets such as stocks, bonds and cash equivalents or even funds.,. Portfolios are held directly by investors and/or managed by financial professionals. Prudence suggests that investors should construct a portfolio taking into account risk tolerance and investing objectives.

'Portfolio return'

Portfolio return is the profitthat a portfolio holder sees over time.. Portfolio returns can be calculated on a daily or long-term basis to serve as a method of assessing a particular investment strategy. Dividends and capital appreciation are the main components of portfolio returns.

'Portfolio turnover'

Portfolio turnover is how frequently assets within a fund are bought and sold by the managers. Portfolio turnover is calculated by taking either the total amount of new securities purchased or the amount of securities sold - whichever is less - over a particular period, divided by the total net asset value (NAV) of the fund. The typical reporting period for portfolio turnover is 12 months.

'Portfolio yield'

Portfolio yield (a percentage) is the annual dividend from a fund's portfolio divided by the current unit or share price of the fund.

'Prague Stock Exchange (PSE)'

The primary securities exchange of the Czech Republic. The Prague Stock Exchange is the biggest organizer of the securities market in the Czech Republic, and second largest in central and eastern Europe. The PSE is owned by the Wiener Borse.

'Preference share'
Companies issue preference shares in a similar way to ordinary shares. It represents an interest in a company. Preference shares are different to ordinary shares in that they pay a predetermined fixed price dividend and preference shareholders receive priority over ordinary shareholders when receiving their dividends and in the distribution of assets.

'Price-to-earnings ratio (P/E ratio)'
The price-earnings ratio (P/E ratio) compares a company’s current share price relative to its per-share earnings. A price multiple or the earnings multiple are alternative terms. The ratio is arrived at by dividing the current market price of a company's shares by the company's earnings per share. In general, a high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E. Different companies' P/Es can then be compared, though it is important to remember that P/Es vary significantly between different industries as each industry can have much different growth prospects. The P/E is sometimes referred to as the 'multiple', because it shows how much investors are willing to pay per unit of earnings.

'Prime broker'
The prime broker is a broking firm that provides a range of specialised services such as trade executions, cash management and securities lending, sometimes on an exclusive basis to the client

'Principal'

Principal is a term that has several financial meanings. The most common refer to the original sum of money borrowed in a loan, or deployed into an investment. Principal can also refer to the face value of a bond.

Principal can also refer to an individual party or parties, the owner of a private company, or the chief participant in a transaction.

'Prospectus'
A prospectus is a document that a company or fund publishes when it is intending to issue shares or units to the public.

Q

'Qualitative analysis'

Qualitative analysis is the assessment of securities utilising subjective judgment based on unquantifiable information. Examples of the latter information include management expertise, industry cycles, strength of research and development, and labour relations. Qualitative analysis contrasts with quantitative analysis, which focuses on numbers that can be found within reports such as balance sheets. The two techniques will often be used together to examine a company's operations and evaluate its potential as an investment opportunity.

'Quantitative analysis'

Quantitative analysis has the objective of understanding or predicting behaviour or events through the use of mathematical measurements and calculations, statistical modelling and research. Quantitative analysts aim to represent a given reality in terms of a numerical value. Quantitative analysis is employed for a number of reasons, including measurement, performance evaluation or valuation of a financial instrument or set of assets for a portfolio.

'Quantitative easing'

Quantitative easing is in almost continuous use over the past half decade in major global economies such as the US, the UK, the Eurozone and Japan. It is an unconventional monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply. Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity. Quantitative easing is considered when short-term interest rates are at or approaching zero, and does not involve the printing of new banknotes.

R

'Rate of return'

A rate of return is a gain or loss made on an investment over a specified period of time, expressed as a percentage of the cost of the investment. Gains on investments are defined as income received plus any capital gains realized on the sale of the investment. An alternative use of the term rate of return is the net amount of discounted cash flows received on an investment.

'Redemption yield'

The redemption yield is the estimated total annualised return on a fixed income security (such as a bond), made up of income plus any gain or loss up to the date of redemption.

'Registered office'

The registered office is the legally-registered address of a corporate entity, such as a company or fund, where all official documents, notices and court papers would be sent.

'Regulator'

State governments have a myriad of agencies in place that oversee (regulate) financial markets and companies. These agencies each have a specific scope of duties and responsibilities that allows them to act independently of each other in working to accomplish similar objectives.

The Czech National Bank is the regulatory authority for investment funds, asset managers and wealth managers in the Czech Republic.

'Reinvestment of income'

Reinvestment of income refers to the act of purchasing further units or shares in an existing investment vehicle using income or dividends paid by that company or fund. The investor relinquishes his or her rights to the beneficial ownership of the units or shares in the fund.

'Reserve requirements (required reserves)'

Reserve requirements are requirements regarding the amount of cash a bank must hold in reserve against deposits made by customers. This money must be in the bank's vaults or at the Czech National Bank. The level of reserve requirements is one way of controlling money supply velocity and thus inflation, the others being open market operations between the Central Bank and the banks and the level of interest rates.

'Return'

In financial markets, a return is the amount by which an investment increases (a positive return) or decreases (a negative return) in value taking into account interest and dividend income and capital growth.

'Return on capital employed'

Return on capital employed (ROCE) assesses a company's profitability and the efficiency with which its capital is deployed. The ROCE ratio is calculated as: Earnings Before Interest and Tax (EBIT) / Capital Employed and expressed as a percentage “Capital Employed” as shown in the denominator of this equation is the sum of shareholders' equity and debt liabilities.

'Return on equity'

Return on equity (ROE) is the net income earned as a percentage of shareholders’ equity. Return on equity assesses a company’s efficiency by revealing how much profit a company generates with the money shareholders have invested. ROE is calculated as: Return on Equity = Net Income/Shareholder's Equity and is expressed as a percentage.

'Return on invested capital'

Return on capital employed (ROIC) assesses a company's profitability and the efficiency with which its capital is deployed. ROIC is calculated as: Net income minus dividends paid / total invested capital (debt + equity) and is expressed as a percentage. There are other ways of defining invested capital, such as net book value of equity vs debt and net working capital.

'Risk'

In investment terms, risk refers to the probability or chance of incurring a loss from an investment.

'Risk-free rate'

The risk-free rate of return is the theoretical rate of return of an investment with zero risk over a specified period of time.

More precisely, the risk-free rate is the minimum return an investor expects for any investment because he will not accept additional risk unless the potential rate of return is greater than the risk-free rate.

The risk-free rate does not exist in practice because even the safest investments carry a very small amount of risk. The interest rate on a three-month U.S. Treasury bill or the long-run average yield on the 10-year US Bond is often used as the risk-free rate for global investors but there is always the chance (very small) of a default of the US government

'Risk/return factor (risk/reward profile)'
The risk/return factor is the relationship between an investment's potential return and its likelihood or probability of losing value. Potential return should rise with an increase in risk in principle. Low levels of uncertainty (low risk) are associated with low potential returns, whereas high levels of uncertainty (high risk) are associated with high potential returns.

'Robo-adviser (robo-advisor)'

A robo-adviser (robo-advisor) is a digital platform giving algorithm-driven financial advice without human supervision. Clients would provide information about their financial situation which the robo-adviser would then use to advise or actually invest the client's assets.

'Running yield'
The running yield is the current level of income/dividend payments made by a bond or sometimes a fund.

S

'Safe haven'

A safe haven is a phrase for an investment that is very likely to retain its value or even increase in value during times of market turbulence. Investors seek safe havens to limit exposure to losses when market downturns occur. What is perceived as a safe haven alters over time as market conditions change; What appears to be a safe investment in one down market could be a disastrous investment in a different down market episode.

'Secondary offering'

The issue of new stock for public sale from a company that has already conducted an initial public offering (IPO). These types of offerings are usually made by companies wishing to refinance, or raise capital for growth.

'Sector'
Sector is the name for a group of companies conducting a similar type of industry/business or a group of funds investing in similar stocks.

'Sector weighting'
The proportions of a fund, compared to its total net assets, held in industry sectors. Usually expressed as percentages.

'Security'

A security is a fungible financial instrument that holds some type of monetary value.

'Securitisation'

Securitization is the method through which an issuer constructs a financial instrument by putting together financial assets and then marketing different categories of the repackaged instruments to investors. Any financial asset might be securitised. The process aids liquidity in the marketplace.

'Sell side'

Sell side is that part of the financial markets industry involved with the creation, promotion and sale of stocks, bonds, foreign exchange and other financial instruments. Sell-side individuals and firms endeavour to create and service products that are made available to the buy side (investment managers) of the financial industry.

'Share price'

A share price is the price of a particular company's shares at a particular time.

'Shareholders' equity'

Shareholders' equity is calculated as a firm's total assets minus its total liabilities and is one of the most common financial metrics employed by analysts to determine the financial health of a company. Shareholders' equity represents the net value of a company, or the amount that would be returned to shareholders if all the company's assets were liquidated and all its debts repaid.

'Shares in issue'

Shares in issue refers to the number of shares of a company that have been given to shareholders.

'Sharpe ratio'

The Sharpe Ratio is used to calculate risk-adjusted return. Nobel laureate William F. Sharpe developed the ratio, which has become the industry standard for such calculations.

Formula:

(Average Return of a Portfolio – Average Return of the Risk-Free Rate)/standard deviation of the Portfolio

The Sharpe ratio is the average return earned in a time period in excess of the risk-free rate per unit of volatility or total risk. Generally, the higher the Sharpe ratio's value, the more attractive is the risk-adjusted return. Behind the mechanics of the ratio, the performance associated with risk-taking investment is isolated by subtracting the risk-free rate from the mean return. For example. a portfolio deploying a "zero risk" investment strategy, such as the purchase of U.S. Treasury bills (for which the expected return is the risk-free rate), has a Sharpe ratio of exactly zero.

Modern Portfolio Theory suggests that adding assets to a diversified portfolio that have correlations of less than one with each other can reduce portfolio risk without sacrificing return. Such diversification would likely increase the Sharpe ratio of a portfolio.

'Short position (or short exposure)'

A short position is when an investor borrows from a holder a share or other financial instrument (for a fee) and then sells it. The investor carries out this action in anticipation of the price falling and the share or position being able to be repurchased at a lower price later, thus generating a profit. The investor finally returns the borrowed shares. Conversely, a 'long position' is buying a similar asset in the belief that its price will rise, with the aim of making a gain from the increase.

'SICAV'

Standing for “Société d'investissement à Capital Variable”, a SICAV is a Europe-wide acronym for an open-ended investment fund where the amount of money in the fund varies with the number of investors in the fund. Each SICAV is a legal entity and is overseen by a Board of Directors.

'Small cap'

Small cap is a term utilised to describe companies with a small market capitalization. A company's market capitalization is the number of shares multiplied by the share price. The definition of small cap can differ in various markets but it in the USA for example, generally a company with a market capitalization of between USD300 million and USD2 billion. ETFs and funds that just invest in small cap companies are available.

'Smart beta'

Smart beta describes a collection of investment strategies accenting the use of alternative index construction rules instead of standard market capitalization-based indices. Smart beta encompasses finding investment factors or market inefficiencies (where share prices have deviated from perceived correct future values) in a rules-based and transparent manner.

'Socially responsible investment – (SRI)'

The nature of the business that a listed company operates defines a socially-responsible investment. The two major strands of socially responsible investments include the avoidance of investment (thus a negative selection strategy) in stocks that produce or sell addictive substances (like alcohol, gambling and tobacco) and seeking out stocks (thus a positive selection strategy) engaged in social justice, environmental sustainability and alternative energy/clean technology efforts. Individual stocks, a socially-conscious mutual fund or exchange-traded fund (ETF) are ways of obtaining SRI exposure.

'Special drawing rights (SDR)'

The IMF (International Monetary Fund) uses an SDR as an artificial currency and is basket of national currencies. The IMF invented Special drawing rights (SDR) in 1969 as an international type of monetary reserve currency in addition to the existing reserves of IMF member states. SDRs augment international liquidity by supplementing the standard reserve currencies. SDRs came into being in response to concerns over the limitations of gold and dollars as the sole means of settling international accounts.

The IMF uses SDRs for internal accounting purposes. SDRs are allocated by the IMF to its member countries and are backed by the full faith and credit of the member countries' governments.

'Special purpose vehicle (SPV)'

A special purpose vehicle or entity (SPV or SPE) is constructed as a subsidiary company with an asset/liability structure and legal status that makes its balance sheet secure even if the parent company goes bankrupt. An SPV or SPE is also a subsidiary company created to serve as a counterparty for swaps and other credit-sensitive derivative instruments.

'Speculative bubble'

A speculative bubble is a financial market process with a rapid escalation of asset prices followed by those prices falling away. Part of the definition of a bubble is that the fundamentals of the assets do not suggest that a price surge is justified. Instead, exuberant market behaviour drives that surge. When no more investors are prepared to buy at the elevated price, a massive selloff occurs, causing the bubble to deflate. Examples in history include the 1600s "Tulip Mania" in the Netherlands, the "South Sea Bubble" in England in the 1710s and the "Dotcom Bubble" in the USA that culminated in the year 2000.

'Speculative risk'

Speculative risk is a class of risk with an unpredictable degree of gain or loss. As an example, government bonds have low speculative risk because the risk of those bonds defaulting is low. All speculative risks are informed choices and are not just the consequence of uncontrollable circumstances. Speculative risk is the opposite of pure risk. Almost all financial market activities involve speculative risks, as an investor has no idea whether an investment will be a significant success or an ignominous failure.

'Sponsored ADR'

An American depositary receipt (ADR) comes into being when a foreign company, via a bank, issues an instrument backed by shares from the company's local market are the underlying asset. A sponsored ADR establishes a legal relationship between the ADR and the foreign company, which absorbs the cost of issuing the security. Unsponsored ADRs may only be traded in the over-the-counter market, while sponsored ADRs are permitted to be listed on major exchanges.

'Spot market'

The spot is a market for financial instruments such as commodities and securities which are traded immediately or on the spot. Spot trades are made with spot prices and are settled instantly. Spot markets can be organized markets or exchanges or over-the-counter (OTC) markets.

'Spread'

A spread in financial markets is the difference between the buying and selling price of an investment (the bid-offer spread). The demand for the investment and the volumes in which it is normally traded generally determine the size of spreads. Collective investment schemes (funds) normally have a set spread between the buying and selling prices.

'Stagflation'

A condition of slow economic growth and relatively high unemployment (economic stagnation) with rising prices (inflation), or alternatively inflation and a decline in Gross Domestic Product (GDP).

'Stagnation'

Stagnation is a protracted period of no (or very little) growth in an economy. Economic growth of less than 1% to 2% annually is considered stagnation. High unemployment and involuntary part-time employment often feature during stagnations. Stagnation can also occur on a smaller scale in specific industries or companies or with wages.

'Standard & Poor's'

Standard & Poor's is an American financial services company that publishes financial research and analysis on stocks, bonds and funds.

'Standard deviation'

Standard deviation describes the dispersion of a data series from its mean. The variation between each data point relative to the mean is ascertained and averaged and then the square root is taken. If the data points are further from the mean, there is higher deviation within the data set.

In finance, standard deviation is a statistical measurement; when applied to the annual rate of return of an investment, it sheds light on the historical volatility of that investment. If the data points have a high deviation, then their future path is deemed less certain. In this way, an investment’s risk is determined. The higher a security’s standard deviation, the greater the variance between each price and the mean, indicating a larger expected price range.

'Stock'

A stock is a type of security that represents ownership in a company and signifies a claim on a share of company’s assets and profits.

'Stock analysis'

Stock analysis describes the process of assessing an individual company, an industry or a whole market. Stock analysts attempt to determine the future price movement of an instrument, sector or market.

'Stock option'

Stock options are contracts that give the holder the right, but not the obligation, to buy or sell an asset at an agreed price on or before a specified date. Buyers of options pay a fee, a premium to purchase a contract. They are a financial derivative that represents a contract sold by one party (an option writer) to another party (an option holder). The contract offers the buyer/holder the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time in the future or on a specific date (exercise date).

Employee stock options are similar to call or put options, with a few key differences. Employee stock options normally vest rather than having a specified time to maturity. This means that an employee must remain employed for a defined period of time before he earns the right to purchase his options. There is also a grant price that takes the place of a strike price.

'Stock selection'

Stock selection is the routine in which a fund manager selects stocks (shares) for inclusion in a fund's portfolio.

'Stock transfer'

Stock transfer is the process of transferring the beneficial ownership of shares/units from one party to another.

'Stockbroker'

A stockbroker, or broker, carries out buy and sell orders through a stock market, or over the counter, in securities for a fee or commission. Stockbrokers are usually associated with an investment bank or broking firm and handle transactions for retail and institutional clients.

'Subscription share'

A subscription share issued by a company carries the right to be exchanged for ordinary shares at a pre-determined price within a specified period. Holders might have the right to a dividend before the shares are exchanged.

'Switch'

Switching is the process of transferring an investment from one fund to another within the same provider's range of products.

T

'Tail risk'

Tail risk is a type of portfolio risk where the probability of an investment moving more than three standard deviations from the mean is greater than what is indicated by a normal distribution. With that movement, tail risks have a small probability of occurring and occur at the very ends of a normal distribution curve. The probability of returns moving more than three standard deviations beyond the mean is 0.03%. A tiny chance.

'Taper tantrum'

Taper tantrum became the nickname of the 2013 surge in U.S. Treasury yields, resulting from the US Federal Reserve's decision to gradually reduce (or taper) the amount of money it was feeding into the economy. This cash feeding of the economy was via quantitative easing. Investors panicked in reaction to news of this tapering and drew their money rapidly out of the bond market, drastically increasing bond yields.

'Tax gain / tax loss harvesting'

Tax gain/loss harvesting are terms to describe a technique of tax management where stocks (or any security) may be sold at a loss in order to net off a chargeable capital gain with a capital loss. Any security sold by a Czech tax-payer which results in a capital gain is taxable unless held for over 3 years.

Securities sold for “tax loss harvesting” reasons can relatively easily be replaced by similar securities that enable the investor to retain a similar asset allocation and risk profile.

'Ticker symbol'

A ticker is a short code or name representing a security (a share/stock or other type of asset) listed on an exchange or otherwise publicly traded. Every listed security has a unique ticker symbol, facilitating the huge volumes of trade orders that flow through the financial markets every day.

'Time horizon'

A time horizon is the time elapsed before an investment is liquidated. Time horizons span from seconds, for a day trader, up to decades for a buy-and-hold investor or for a retirement plan. An investor's goals for the funds held determine time horizons.

'Top-down'

A 'top-down' fund manager will make investment decisions based on the macro-economic environment and related data rather than on stock specific criteria. Sector and country allocation will be made with this method, with stock selection executed with index weightings rather than its own particular characteristics.

'Total return'

The total return on an investment comprises capital appreciation (or depreciation) and any income from the investment. Total return is expressed as a percentage of the value of the investment at the start of a set period.

'Tracker fund'

A tracker fund looks to replicate an index's performance through buying the same constituent shares of the index in the same percentage sizes. The 'tracking error', defined as the amount by which the fund's return differs from that of the index, measures success. Tracker funds are also known as index funds or passive funds.

'Tracking error'

Tracking error is the difference between the price behaviour of a stock or a portfolio and the price behaviour of a benchmark. Tracking error is shown as a standard deviation percentage difference, which reports the difference between the return an investor receives and that of the benchmark they attempted to imitate.

'Treynor ratio'

The Treynor ratio, also known as the reward-to-volatility ratio, is a metric for returns that exceed those of a risk-free investment, per each unit of market risk. The Treynor ratio, invented by Jack Treynor, is calculated as:

(Average Return of a Portfolio – Average Return of the Risk-Free Rate)/Beta of the Portfolio

The Treynor ratio is similar to the Sharpe ratio. The difference between the two metrics is that the Treynor ratio utilizes beta, or market risk, to measure volatility instead of using total risk (standard deviation).

'Tunnelling'

An illegal business practice in which a majority shareholder or high-level company insider directs company assets or future business to themselves for personal gain. Actions such as excessive executive compensation, dilutive share measures, asset sales and personal loan guarantees can all be considered tunnelling. The common threat is the loss to the minority shareholders, whose ownership is lessened or otherwise devalued through inappropriate actions that harm the overall value of the business. Tunnelling was prevalent in the Czech Republic in the 1990s and even more recently.

U

'UCITS'

UCITS is an acronym for Undertakings for Collective Investment in Transferable Securities. UCITS has created a single European regulatory framework for funds, which means it is possible to market the fund across the EU regardless of which country it is domiciled in.

'Underweight'

Being 'underweight' in the financial world is when a fund has a lower percentage weighting in an asset class, stock, sector or geographical region than the index or benchmark against which it is measured. For example, if a fund has a 7% weighting in Asian equities, but its benchmark has a 10% weighting, the fund is 3% underweight.

'Unit type'

Units in a mutual fund can be either an 'accumulation' unit, where income is not distributed to investors but instead retained within a fund (so increasing the value of each unit but leaving the number of units held unchanged), or a 'distribution unit', where income will be paid to investors on set dates relating to the financial year of the unit trust.

V

'Valuation'

Valuation is the technique of assessing the present value of an asset or a company; many methods can be used to determine value. The company's management, the composition of its capital structure and/or the prospect of future earnings and market value of assets can be all assessed inter alia.

Buyers and sellers establish the market value of a stock or bond all the time on an exchange. The concept of intrinsic value, though, is the perceived value of a security based on future earnings or some different facet unrelated to the market price of a security. A change in those earnings compared to the market price or a change in the market price will both act to change the valuation of a security.

'Value At Risk (VaR)'

Value at risk (VaR) is a statistical technique assessing and quantifying the degree of financial risk within a portfolio or perhaps a firm over a specific time frame. Investment and commercial banks use VaR frequently to determine the extent and occurrence ratio of potential losses in their institutional portfolios. Risk managers can apply VaR to specific positions or complete portfolios or to measure firm-wide risk exposure.

VaR modelling assesses the potential for loss in the entity being assessed, on top of the probability of occurrence of that defined loss. Risk managers assess VaR by determining the amount of potential loss, the probability of occurrence of that loss and the time frame. For example, a portfolio manager may assess that a portfolio has a 6% one-month VaR of 2%, representing a 6% chance of the asset declining in value by 2% during the one-month time frame. The conversion of the 3% chance of occurrence to a daily ratio places the odds of a 2% loss at two days per month.

'Value investing'

An investor adopting a value philosophy seeks stocks where the market has not reflected the full "intrinsic value" (the assessed future value) and may be due to attain that intrinsic value by the price rising, a "re-rating". Value managers purchase companies on the basis of a low price/earnings ratio, for example. Another example is they could believe that a stock offering a combination of a low P/E ratio and a high dividend yield (the dividend per share divided by the current market price) would provide the best returns.

'VIX – CBOE Volatility Index'

VIX is a ticker symbol and shorthand for the Chicago Board Options Exchange (CBOE) Volatility Index. The level of the VIX shows the market's expectation of 30-day volatility, thus it is a forward-looking reference point. The implied volatilities of a wide range of S&P 500 index options, including both calls and puts, are used to create the VIX. VIX is now a widely-used measure of market risk, often referenced as the "investor fear gauge."

'Volatility'

Volatility is a measure of how quickly the value of an investment rises and falls over time and is a term applied to single shares, markets and investment funds. The term is interchangeable in finance with "risk", or "standard deviation", as the most common and quoted measures of volatility are calculated through establishing the variance or standard deviation of the asset(s) analysed.

'Volume weighted average price (VWAP)'

The volume weighted average price (VWAP) is a trading measure used in markets. VWAP is calculated by adding up the Czech Koruna traded for every transaction (price multiplied by number of shares traded) and then dividing by the total shares traded for the day.

Volume Weighted Average Price (VWAP) = (number of shares bought * share price) / total shares bought

Generally, if the price of a buy trade is lower than the VWAP, it is a good trade. If the price is higher than the VWAP the opposite is true.

W

'Warrant'

A warrant is a derivative security that awarding the holder the right to buy securities (usually stocks/shares) from the issuer (the company) at a specific price within a certain time frame.

'Wealth management'

Wealth management is a fusion of financial and investment advice, accounting and tax services, retirement planning and legal or estate planning, often for one set fee. A single assigned wealth manager works with high-end clients. The manager coordinates input from financial experts and may include coordinating advice from the client's own lawyer, accountants and insurance agent. Some wealth managers also offer banking services or advice on philanthropic activities.

'Weighting'

Weighting refers to the proportion of a fund's portfolio held in a particular asset or sector compared with its benchmark or an index. Being 'underweight' is when a fund has a lower percentage weighting in an asset class, stock, sector or geographical region than the index or benchmark against which it is measured. . For example, if a fund has a 4% weighting in Asian equities, but its benchmark has a 7% weighting, the fund is 3% underweight. Conversely, being 'overweight' is when a fund has a greater percentage weighting than the index or benchmark. For example, if a fund has a 10% weighting in Asian equities, but its benchmark has a 7% weighting, the fund is 3% overweight.

'West Texas Intermediate (WTI)'

Light, sweet crude oil is commonly referred to as "oil" in the Western world. The USA’s West Texas Intermediate (WTI) crude oil is the underlying commodity of the New York Mercantile Exchange's oil futures contracts. WTI is considered a "sweet" crude because it is about 0.24% sulfur, which is a lower concentration than North Sea Brent crude oil. WTI is high quality oil that is easily refined.

X

'XD date'

The XD date is the ex-dividend date, the date on which any dividend income to be paid is taken out of the value of a fund or company's shares or units, thereby reflecting that payment in the value of the share/unit

Y

'Year end'

In investment terms, the year end is the end of the financial year of the fund or company. It is the date to which formal financial reports are prepared.

'Yield'

Yield is the annual income paid to investors on an asset, expressed as a percentage of the asset's price.

'Yield spread'

A yield spread is the variation between yields on bonds of different maturities, credit ratings and risk. Subtracting the yield of one instrument from another provides the spread. For example, if the five-year Treasury bond is at 2% and the 10-year Treasury bond is at 3%, the yield spread between the two debt instruments is 1%.

Z

'Zero bound'

When a Central Bank such as the US Federal Reserve, the European Central Bank or the Bank of Japan has lowered short-term interest rates to zero or nearly zero, rates cannot be, conventionally, cut further. This is known as the ‘zero bound’. The ‘zero bound’ tends to prompt new methods of economic stimulus to be assessed and/or implemented.

The US Fed spent over 7 years with interest rates at the zero bound (end 2008 to end 2015) whilst the ECB and the Bank of Japan have core interest rates still at the zero bound.