Glossary of terms

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This glossary has been produced to explain terms that are used in our literature.

Accumulating (share)

Share class reinvesting income of the investments.

All-in Fee (TER)

The All-in Fee comprises the Fixed Fee and the Management Company Fee. The Fixed Fee covers certain administrative expenses including the Administrative Agent Fee, the Custodian Fee, the Registrar, Transfer Agent and Listing Agent Fee and the annual tax in Luxembourg (if any) (the “Taxe d’Abonnement”).

Investors should be aware that in addition to the above, other factors may negatively impact the performance of their investment relative to the underlying index. Examples include: Brokerage and other transaction costs, Financial Transaction Taxes or Stamp Duties as well as potential differences in taxation of either capital gains or dividends assumed in the relevant underlying index, and actual taxation of either capital gains or dividends in the fund. Investors should also note that currency hedging costs are not included within the All-in Fee.

The precise impact of these costs cannot be estimated reliably in advance as it depends on a variety of non-static factors. Investors are encouraged to consult the audited annual- and un-audited semi-annual reports for details.

Ask

The (lowest) price at which a market-maker or broker is willing to sell a security.

Average coupon

A coupon represents the regular interest payments of a bond and is specified as a percentage of the par/face value of the bond. The average coupon is derived by taking the weighted average of all coupons within the index/ fund.

Backwardation

Whenever the spot price (usually of a commodity) is above the futures price.

Bid

The (highest) price at which a market-maker or broker is willing to buy a security.

Broker

Individual or firm (brokerage house or brokerage firm) which executes trading orders submitted by investors.

Capital Gain

Gain realised on a security whenever its value increases.

CTB

Refers to the Regulation (EU) 2019/2089 on EU climate transition benchmark regulation. Find more details on https://finance.ec.europa.eu/

Collateral

Assets held as security or indemnity, to be used as a repayment in the event of a default of a counterparty.

Contango

Whenever the futures price (usually of a commodity) is above the expected spot price.

Counterparty (Exposure)

It indicates the exposure of a fund to a specific counterparty. In case of the counterparty default a high exposure would compromise the ability of the ETF to honour its contractual obligations.

Coupon Payment

Payment distributed by a firm to its bondholders.

Dealer

Person or firm acting in the business of trading securities on its own account.

Derivative

Financial instrument whose price is derived by an underlying financial instrument. There are various types of derivatives, the most common are: futures, forwards, swaps and options.

Direct replication

See investment methodology.

Distributing (share)

Share class distributing income of the investments to its shareholders.

Dividend

Payment distributed by a firm to its shareholders.

Dividend Yield

Indicates how much dividends are paid out relative to the share price. It is expressed as a percentage and is often used to estimate the current income level from shares.

Effective Duration

Measures a bond's sensitivity to a change in interest rates whilst adjusting for any optionality within the bond. For example if the bond is callable then this will require an adjustment to the duration to account for the possibility that the bond is recalled by the issuer prior to final maturity.

Emerging Market

Defines a market that is developing, often experiencing rapid growth and industrialization.

EMU

Economic and Monetary Union.

ESG (Environmental, Social and Governance)

Environmental, Social and Governance issues refer to non-financial characteristics of your investment. ESG measures the qualities of a company or investment from several perspectives across the areas of Environment (E), Social (S) and Good Governance (G).

ESG Leaders (or simply Leaders)

Securities with the highest ESG score in a given basket or index. Companies that lead in terms of ESG performance.

ESG Laggards (or simply Laggards)

Securities with the lowest ESG score in a given basket or index. Companies that lag behind in terms of ESG performance.

ETC

Exchange Traded Commodities (ETCs) are securities issued by a company, that trade on regulated exchanges. ETCs are usually quoted continuously during exchange trading hours on the relevant stock exchange.

ETF

Exchange traded funds (ETFs) are open ended, regulated, mutual funds that are listed on stock exchanges and aim to track as closely as possible the performance of a given benchmark, usually an underlying index.

Exposure

The amount of capital invested in a particular security, asset, region or sector.

Full replication

See portfolio structure.

Hedging (or Hedge)

A risk management strategy which aims to reduce investment risks such as credit or market risk.

Income Treatment

Income treatment defines whether or not the ETF distributes dividends or income to investors, or accumulates any profits and reinvests these into the Fund.

Index fund

Mutual fund aiming to match or track an index.

Investment Methodology

Specifies whether the ETF physically buys the underlying securities in the index (direct replication) or whether the ETF gains exposure to the performance of the index by entering into OTC swap transactions (indirect replication).

Levered

Investment usually achieved through the use of derivatives or borrowed capital to increase the investment exposure.

Liquidity

Ability to buy or sell instruments without a significant impact on their market prices.

MSCI ESG Rating and MSCI ESG Controversies scores

MSCI proprietary rating and scoring systems according to ESG criteria. Further information on the methodology available at www.msci.com. See also United Nations Global Compact (also UNGC).

Market Capitalisation

Market value of a company calculated by multiplying the stock price by the number of its outstanding shares.

Modified Duration

Risk measure that indicates the sensitivity of a bond price to interest rates. The risk measure expresses changes in bond price in response to changes in bond yield.

Net Asset Value (NAV) per share

NAV per share represents the value of each individual share in a fund at a given point in time. NAV is based on the total value of a fund (total value of all assets in the portfolio, less any liabilities), divided by the number of shares in issue.

Optimisation

Refers to investment allocation approach aiming to improve efficiency, it is based on determined ratios, liquidity risk and other constrains or metrics.

Optimised Sampling

See portfolio structure.

OTC (instrument or market)

Over the counter. Often used to indicate products traded via a dealer network, as opposed to a regulated exchange.

PAB

Refers to the Regulation (EU) 2020/1818 on Paris-aligned benchmarks. Find more details on https://eur-lex.europa.eu/.

P Chip

Refers to Chinese companies listed on the Hong Kong Stock Exchange which are incorporated in the Cayman Islands, Bermuda and the British Virgin Islands.

PE ratio

Price to Earnings (PE) ratio can be calculated by the price of a company, divided by the Earnings per Share. PE ratio is used as a method to value a stock, and to determine the relative valuation of a stock compared to peers.

Portfolio Structure

Full replication: The ETF invests in all of the underlying securities in the index.

Optimised Sampling: The ETF invests in a representative sample of the underlying securities in the index.

Substitute Basket + Swap: Assets invested in a basket of securities (“Substitute Basket“).The ETF enters into an index swap, where the return of the “Substitute Basket” is swapped in return for the performance of the index being replicated.

Price return (index)

A price return index calculates the performance of the index constituents on the basis that any dividends or distributions are not included in the index returns.

Primary market

Part of a stock exchange where new stocks are issued for the first time.

Prospectus

Legal Document setting out the rules for the fund, its relationships with stakeholders such as management company and service providers.

Red Chip

Company based in mainland China that is incorporated internationally and listed on the Hong Kong Stock Exchange.

SDG

Social Development Goals as defined by the United Nations 2030 Agenda for Sustainable Development. Information on the 17 sustainable development goals ("SDGs") contained in the UN 2030 Agenda is available on: https://sdgs.un.org/.

SFDR

The EU Sustainable Finance Disclosure Regulation ("**SFDR**") (EU-Regulation 2019/2088 became effective in March 2021) lays down harmonised rules for financial market participants and financial advisers on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainabilityrelated information with respect to financial products.

Secondary Market

Part of a stock exchange where the securities are exchanged amongst investors.

Securities Lending

Securities lending consists in loaning a stock or other security to a third party for a fee. Collateral is posted for the duration of the loan.

Security

Term generally used to indicate stocks or debt instruments.

Share Classes

A fund may have various share classes with specific characteristics.

Short (position)

Sale of a security which is not owned by the ETF, which can be achieved by borrowing an asset from a third party and selling it on the market. The borrower compensates the lender of the security with the payment of a fee.

Smart-beta

Strategies aiming to deliver a better risk and return profile, compared to conventional indices, by applying alternative weighting or stock selection methodologies.

Spread (Bid-Ask spread)

The spread represents the difference between the bid price and the ask price, and is one of the measures that helps measure the liquidity of a fund.

Stock / Equity / Shares

Indicates shares of a company, usually of listed companies.

Stock exchange (or simply Exchange)

Refers to a regulated marketplace. *See primary or secondary market.*

Substitute Basket

See portfolio structure.

Swap

A derivative product traded on OTC markets: the parties involved agree to exchange cash flows based on a notional principal amount.

Total return net (index)

A total return net index calculates the performance of the index constituents on the basis that any dividends or distributions are reinvested after the deduction of any taxes that may apply.

Tracking Difference

Tracking difference shows the difference between the net performance of an ETF and the performance of the Benchmark Index that the ETF is tracking, over a given period of time.

Tracking Error

Tracking error refers to the volatility of the tracking difference of an ETF with its underlying index (see Tracking Difference definition above).

UCITS

UCITS stands for Undertakings for Collective Investments in Transferable Securities. UCITS provides a single European regulatory framework for an investment vehicle, which means it is possible to market the vehicle across the EU without worrying which country it is domiciled in.

Underlying Index (or simply Index)

An underlying index refers to the index that a particular ETF is seeking to track. Underlying indices are maintained and independently calculated by sponsors such as Standard & Poor's, Morgan Stanley Capital International, Inc. and FTSE International Limited.

United Nations Global Compact ("**UNGC**")

The world's largest corporate sustainability initiative*. Derived from 10 universal principles, the UNGC focuses on a company's value system and a principles-based approach to doing business, covering areas such as anti-corruption, labour, human rights and the environment.

**source: https://www.unglobalcompact.org/what-is-gc*

Value at Risk (VaR)

A risk metric that measures and quantifies the expected maximum loss that a portfolio or an investment may suffer over a specific time period with a given probability.

Yield to Maturity (YTM)

Represents the annual return an investor would achieve if they hold the bond until maturity.

Yield to Worst

Lowest YTM an investor can get in the worst case scenario on a particular bond.