

Absolute return fund	A fund that aims to achieve returns in both rising and falling markets by using a broad range of securities and investment techniques. These may include the use of derivatives and complex securities.
Account based pension	A type of retirement income stream that is purchased with superannuation money. It allows retirees to draw a regular income (until the funds run out or until death) and withdraw lump sum amounts. Also see 'term allocated pension (TAP)' for another type of retirement income stream.
Account number	Issued to an investor for each investment product held with Perpetual. An investor can have multiple account numbers.
Active investment approach	An investment style that seeks to attain returns above a set benchmark through active asset allocation and stock selection.
AFSL	Australian Financial Services Licence.
After-tax contributions	Super contributions made using after-tax money. Also known as personal or non-concessional contributions.
APIR code	A code used to identify products in the financial services industry. APIR stands for Asia Pacific Investment Register.
APRA	Australian Prudential Regulation Authority.
ARSN	Australian Registered Scheme Number.
ASIC	Australian Securities and Investments Commission.
Asset class	Category of assets such as cash, fixed interest investments, property, shares.
Asset allocation	The mix or division of an investment portfolio among various asset classes according to an investor's risk profile and preferences.
Asset consultant	A professional person or organisation who typically advises institutional investors, such as superannuation fund trustees, on appropriate investment strategies, asset allocations and a selection of specialised investment managers.
Bank bill	A cash or short-term investment issued by major banks to investors. It pays interest periodically plus the principal at maturity (at investment terms between 30 to 180 days).
Bear market	An extended period of falling prices in the overall market.
Benchmark	A measure used to compare investment performance with a like investment, eg performance of an Australian share fund may be compared with the S&P/ASX 300 Index.
Bond	A type of debt security that is a fixed interest investment. Governments or agencies borrow from creditors, in return offering investors a fixed return over a specific time period, with the principal paid on maturity.

Bottom-up approach	An investment approach that begins with forecasting returns for individual companies, then moves to industries and finally the economy as a whole. Opposite of top-down approach.
BRIC economies	Acronym for Brazil, Russia, India and China.
Bull market	An extended period of rising prices in the overall market.
Buy and hold strategy	An investment strategy where an investment manager purchases an asset it believes will increase in value, with the intention of holding that asset for the long term.
Buy/sell spread	An estimation of the transaction costs incurred by a fund due to investment and withdrawal transactions by investors. These costs can include brokerage, stamp duty and other costs incurred when the fund's underlying investments are bought or sold. The buy/sell spread is incorporated into the relevant fund's entry/exit price. The fund retains the buy/sell spread to cover its transaction costs and ensure that other investors aren't impacted by the transaction costs of a particular investor buying or selling units.
Capital gain	The profit made when an asset is sold for more than its purchase price.
Capital growth	An increase in the value of an asset from its original purchase price.
Capital loss	The loss incurred where an asset is sold for less than its purchase price.
Cash investment	Cash investments include discount securities (eg bank bills), short-term deposits and money market funds which may invest in fixed income instruments and loans. Cash provides a relatively consistent rate of return in the form of regular interest payments, generally in line with short-term interest rates and is widely considered the lowest investment risk.
Client number	Identification number used to identify an investor in a Perpetual product. An investor is issued one client number but may have multiple account numbers.
Commute	Converting a pension or annuity generally into a cash lump sum.
Complying superannuation fund	A superannuation fund that meets certain legal standards, allowing it to obtain special concessions, such as concessional tax rates.
Concessional contributions	Super contributions made with pre-taxed money, including employer contributions, super guarantee and salary sacrifice, which are tax deductible. Certain limits (caps) may apply on the amount of concessional contributions that can be made.
Consumer Price Index (CPI)	An index measuring the prices at various times of a selected group of goods and services typically bought by ordinary Australian households. It allows comparisons of the relative cost of living over time, and is used as a measure of inflation.
Contribution splitting	A strategy used to boost a spouse's super balance, where an individual splits concessional super contributions with their eligible spouse.
Cost base	The dollar amount incurred when an investor purchases an investment, such as a parcel of units in a managed fund.
Death benefit payment	A payment made to a spouse or other, following the death of a super or pension plan member. It can be paid as a lump sum or pension depending on the type of plan and status of the beneficiary.
Derivative	A financial instrument that derives its value from the price of other physical securities or a market index.
Distributable income	Income such as interest, company dividends, foreign income and realised net capital gains that may be distributed to investors.
Diversification	Spreading investments over different securities, asset classes and/or investment managers to minimise the impact of market ups and downs.

Dividend yield	The return on a share investment, calculated by dividing the dividend rate (in cents per share) by the current share price. Expressed as a percentage.
Dividend	A distribution of profits made by a company to its shareholders.
DIY (do it yourself) super fund	A superannuation investment vehicle that individuals, families and other groups can use to save for retirement. Limited to up to four members per super fund, a DIY fund is generally suited to people wanting more control over their super's investment strategy. See SAF and SMSF for two types of DIY funds.
Emerging markets	Financial markets in countries with developing economies, where industrialisation has begun and the economy has links with the global economy. These markets may provide potentially higher returns but are subject to high risk and volatility.
Employment termination payment (ETP)	A type of lump sum payment received by an employee on retirement, resignation or retrenchment. ETPs may be taxed at a different rate to other income and in certain circumstances, can be rolled into super.
Enhanced cash	Enhanced cash investments include cash investments, fixed income instruments, hybrids, loans and other income generating securities. The maturity dates of investments are typically longer than cash and they may have a lower credit rating than those in a money market fund, however, they are usually managed to short interest rate exposures.
Excess franking credit	A franking credit that exceeds the amount that can be offset against any tax payable. Refunds from the Australian Taxation Office may be available for excess franking credits.
Fixed income	Fixed income instruments involve investing in securities issued by an issuer for a pre-determined period. The issuers may include governments, banks, corporations and asset backed trusts. The instruments when issued usually provide a return in the form of defined periodic income payments and the return of principal at maturity. These income payments are either fixed when issued or set periodically against a benchmark.
Foreign income	Income received from outside Australia, eg income from foreign investments.
Foreign tax credit	A tax credit that represents the tax paid on foreign income.
Franked dividend	A dividend with a franking credit attached.
Franking credit	A tax credit available to shareholders that represents the tax already paid by an Australian company on its profits.
Franking rebates	A rebate of tax equal to the value of the franking credit attached to a dividend.
Gearing	Borrowing money to invest in assets such as shares or managed funds. Using gearing to increase the size of an investment may enhance returns in a rising market but can also magnify losses in a falling market.
Gearing ratio	A fund's borrowings divided by the gross value of the investment, expressed as a percentage.
GFC	Global financial crisis.
Government co-contribution	A superannuation scheme where the Government pays up to \$1.50 for every \$1 that an eligible individual contributes (up to a maximum limit) into their super fund. The scheme is available to individuals earning less than a certain amount, indexed each year by the Government. Also known as the super co-contribution.
Growth manager	A manager who seeks a capital gain from expected further growth in a company's earnings. Growth managers typically focus less on price/earnings ratios and other valuation measures and more on potential earnings growth.
Hedge fund	A managed fund that uses advanced investment strategies such as leverage and derivatives with the aim of achieving consistent positive returns in both rising and falling markets.

Hybrid securities	A security that combines two or more financial instruments, generally covering both debt and equity. Hybrid securities pay a predictable (fixed or floating) rate of return or dividend until a certain date. At that date the holder has a number of options including converting the securities into the underlying share, eg a convertible bond, one that can be converted into equity, usually at the bond holder's discretion.
Indemnity	A promise from one party to reimburse or cover costs or liabilities incurred by another.
Indexation	A technique used to adjust payments (eg benefits, pension payments, wages) in line with the movement of an appropriate index, eg the CPI.
Industrial shares	Shares of a company involved in the production of goods and services, such as telecommunications, banking, tourism, retail, building, engineering or media.
Infrastructure	An infrastructure investment generally involves investing money in large projects to provide facilities and services required by the community. These include transport, power, roads, telecommunications or water supply. Infrastructure investments tend to provide the potential for higher returns than cash, mortgages, fixed interest and property, but are generally considered to be a higher risk investment.
Investment options	Investment choices within a super or investment fund. Each option is focussed on a particular asset class (eg Australian shares) or investment style (eg conservative) and the underlying investments in each option are professionally managed. An investor can usually invest in one or more investment options.
Large cap stocks	Listed stocks that are largest in terms of market capitalisation. Generally companies listed between the top 1 and 50 shares on the Australian Securities Exchange.
Leverage	Using borrowed money to invest with the aim of increasing the value of a portfolio.
Liquidity	The level of ease in converting an investment into cash.
Listed property trust	A unitised trust of real property which is listed on a stock exchange.
Long position	Buying an asset with the view that it will increase in value.
Managed fund	An investment where individual investors pool their money with other investors. A professional manager then invests the pooled assets according to the fund's investment objective, guidelines and approach, generally distributing any income return back to the investors.
Margin call	A call made to an investor when the gearing level of their margin loan exceeds the maximum lending ratio. When the value of the investor's equity in an investment (such as shares) falls below a certain level compared to the value of their margin loan, a loan payment is usually required to bring the lending ratio to the correct level.
Margin loan	A loan from financial institutions allowing investors to fund the purchase of investments such as shares or managed funds. Investors in margin lending schemes are typically required to maintain a predetermined minimum equity ratio within the loan, which varies depending on the exact security or combination of securities held.
Market capitalisation	The total value of securities issued by a company, based on the current market price. It is a measurement of company size in a market.
Market index	A measurement reflecting the change in value of a defined group of securities. For example, the S&P/ASX 200 Accumulation Index reflects the collective value of Australia's largest 200 publicly listed companies.
Maturity	The date that a loan or debt is due to be repaid.

Mezzanine mortgages	Property loans that rank behind first-registered mortgages. They are generally backed by commercial property. The loan to valuation ratio for the loan may be as high as 95% and investors take on more risk, because they only get paid after the first mortgage note holders get paid.
Mid-cap stocks	Listed stocks which are middle-sized in terms of market capitalisation. These are generally companies listed between the top 50 and 100 shares on the Australian Securities Exchange.
Mortgage fund	A managed fund that invests in mortgages, generating returns from the interest payments on those mortgages. The fund may invest in mortgages secured over commercial or residential property.
Multi-manager approach	An investment approach that involves selecting several specialist investment managers in one asset class or investment group to manage a pool of money.
Net market exposure	A fund's net market exposure is the value of the shares in which the fund has invested, adjusted for the value of the short positions the fund has in the shares.
Non-concessional contributions	See 'after-tax contributions'.
Passive investment approach	A style of investment management that seeks to achieve performance equal to the market or index returns.
Portability	The ability to rollover super benefits to another super fund. Super funds must generally rollover benefits within 30 days of receiving all completed requirements.
Portfolio	An investor's collection of investments.
Preservation (age)	The maintenance of superannuation benefits until retirement. Once a contribution has been made into a superannuation fund it generally cannot be accessed until the individual reaches preservation age - between the ages of 55 and 60, depending on the individual's date of birth.
Principal	The original amount of money invested/borrowed that must be paid on maturity along with any interest component.
Private debt	Alternative investment opportunities not available to the public debt capital markets, such as debt from projects or corporations. These may generate higher returns but may also be higher risk due to their complexity, lack of transparency or liquidity.
Product disclosure statement (PDS)	A document which describes a particular financial services product. A PDS is regulated by ASIC and includes product information such as operational features, benefits, risks, and fees associated with that product.
Property investment	Generally involves buying units in listed property trusts (that are bought and sold on the stock exchange), investing in unlisted property trusts or buying property directly. These investments can be across a range of property sectors including commercial, industrial, residential and retail properties. Property generally provides a return in the form of rental income and over the longer term can provide capital growth through potential increases in the value of the property. Property provides the potential for higher returns than cash, mortgages and fixed interest securities, but is generally considered to be a higher risk investment.
Public offer superannuation fund	A super fund that is open to the general public for investment. They can include commercially promoted funds, industry funds and some employer sponsored funds. A public offer superannuation fund must have an approved trustee and is required to issue an offer document to prospective members.
QROPS	Qualifying Recognised Overseas Pension Scheme. An Australian pension fund which has QROPS status can accept UK pension transfers without incurring some UK taxes.

Realised capital gain	When an investor sells an investment for more than the price they paid, the difference is the realised capital gain. A realised net capital gain is where capital losses have been applied to reduce the taxable amount of the gain.
Realised capital loss	When an investor sells an investment for less than what they paid, the difference is the realised capital loss. The realised capital loss is equal to the difference between the sale price and the cost base.
Rebating	Where a financial adviser chooses not to receive initial or ongoing commissions and instead requests it to be allocated as additional units to the investor.
Resource shares	Shares in a company involved in industries such as metals, mining, energy, gold and diversified metals.
Responsible entity	An entity registered with ASIC that is responsible for administering managed investment schemes according to their constitution, investment policy, PDS and relevant legislation.
Reversionary pension	A pension paid to an eligible spouse, minor or a financial dependant following the death of a pension plan member.
Risk and return characteristics	Refers to the expected level of risk required to receive a certain return. Generally, the greater the potential risks, the greater the potential returns and vice versa.
Rolling annual returns	Returns which are calculated over sets of consecutive 12 month periods. For example, the rolling annual return at the end of June 2010 would be calculated from 1 July 2009 to 30 June 2010.
RSE	Registrable Superannuation Entity, being an approved trustee of a super fund licensed by APRA.
SAF	Small APRA Fund. A type of DIY super fund regulated by APRA that requires its members to appoint a professional trustee (eg Perpetual) to manage the fund.
Salary sacrifice	An arrangement between an employer and an employee which involves the employee giving up a part of their pre-tax salary in exchange for having the employer provide an alternative benefit, such as superannuation contributions.
Securities	A form of contract representing ownership in shares, units, fixed interest investments and derivatives.
Semi-efficient markets	Based on the theory that not all available public information on a company is reflected in its share price and that 'information' can be used to generate superior returns.
Shares	An investment in shares gives the shareholder part ownership of a company, giving them the right to receive any dividends and, if the company is wound up, a claim upon assets remaining when all debts are paid. The return on shares generally includes capital growth (or loss) and dividends, which is income paid out of the company's profits.
Short position	A short position is created when an investor or fund borrows and then sells an asset (usually shares), which they expect will fall in value, before buying it back on the open market and returning it to the lender. If the asset does fall in value, the investor makes a profit because they buy it back for less than for what it was sold.
Short-term bank bills	A short-term loan of money to the bank which pays a certain sum on a fixed date in the future.
SIS	Superannuation Industry (Supervision) Act 1993 (Cth) and regulations
Small cap stocks	Listed stocks with a small market capitalisation. Generally companies listed beyond the top 100 shares on the Australian Securities Exchange.
SMSF	Self managed super fund. A type of DIY fund, regulated by the ATO, that allows its members flexibility to manage the fund and investments themselves. All members of an SMSF must be trustees of the fund.

Spouse contributions	Super contributions made by one spouse into the other spouse's super account. This strategy may provide tax offsets and can help boost a low income earning spouse's super balance.
Strategic asset allocation	A determined level of exposure to each asset class within an investment portfolio, with the aim of meeting a specified long-term objective.
Style bias	A bias towards a particular style of investing, such as value or growth.
Superannuation guarantee	The compulsory contribution that an employer is required to pay into an employee's super account. This is currently legislated at 9% of an employee's wages or salary, however an employer may pay over this amount as an additional benefit.
Super co-contribution	See 'Government co-contribution'.
Tactical asset allocation	A portfolio management strategy that moves the portfolio away from its strategic asset allocation in order to take advantage of certain conditions in the market place.
Term allocated pension (TAP)	A type of retirement income stream. The investor must choose a fixed term to receive income and cannot make lump sum withdrawals except in limited circumstances. Also see another type of retirement income stream, 'account based pensions'.
Top-down approach	A form of stock analysis that begins with forecasting broad macroeconomic trends, then assessing the impact on industries and, finally, on individual companies. Opposite of bottom-up approach.
Tracking error	This is the annualised standard deviation of the difference between a fund's return and the return of an index. From an investor's perspective, it provides a measure of how a portfolio's returns have deviated from a benchmarked index.
Transition to retirement pension	A type of income stream that can be created with super money when a person reaches 'preservation age', even if they are still working and contributing money into super.
Underlying fund(s)	A fund into which another fund invests.
Unit trust	A pooled investment vehicle (trust) established under a constitution or trust deed to manage a portfolio, for example, a managed fund. The trustee is the legal owner of the securities and is responsible for ensuring the managers comply with the trust deed.
Unrealised capital gain	This represents the growth between the cost price and current market value of an investment that has not yet been realised.
Value manager	Seeks to buy shares when they are underpriced and to take profits when they appear overvalued. The price to earnings ratio is a key valuation measure.
Volatility	Fluctuations in an asset's price. The higher the volatility, the more the asset's price fluctuates.
Yield	The rate of income return of an investment.