

Useful Definitions

This document provides definitions for some of the terms that we use throughout our Fund Factsheets, Key Investor Information Documents and Key Information Documents.

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| Absolute Return / Hedge Funds | A type of alternative investment fund that only accredited or institutional investors can invest in. They are generally more complex, using more advanced and varied investment strategies and risk management techniques. |
| Annual Management Charge (AMC) | An amount payable for administering the product and managing the fund. This is quoted as an annual percentage of the fund value but is deducted from the value of the fund on a daily or weekly basis, dependent on the fund. |
| Asset Allocation | The percentage of a fund held in different asset classes, such as Stocks, Bonds and Cash. |
| Bonds (Corporate / Government) | Are loans to a company, authority or Government who pay regular interest on the loan and then pays it back at a set date in the future (loans to the UK Government are called 'Gilts'). |
| Collective Investment Schemes | A way of investing money that allows a large number of people to pool their money together and to invest in a wide range of investments while sharing the costs of doing so. Unit-linked funds, unit trusts and ICVCs are examples of collective investments. |
| Derivatives | A type of alternative investment that might be used to provide the fund with exposure to markets without the fund having to directly hold securities in that particular market. |
| Equities | Are owning a stake or 'share' in a company. If the business is successful investors can see potential rewards both in share price increases and dividend payments. |
| Fixed Interest Investments / Securities | Are bought for an amount of money that will be returned on a specific future date. The investor receives a fixed rate of interest during this time. The rate of interest paid cannot change, but it is not the same as putting your money in a fixed rate cash account. As fixed rate investments can be traded on the stock market, their value, up until the end of the fixed rate period, can rise and fall in a similar way to the price of stocks and shares. |
| Fixed Term Deposits | A financial instrument provided by banks and non-banking financial institutions which provide investors a higher rate of interest than a regular savings account, until the given maturity date. |
| ICVC | Investment Company with Variable Capital. An ICVC is an example of a collective investment scheme. |
| Investment Trust | A company quoted on the London Stock Exchange which invests its shareholders' funds in the shares of other companies. |
| Money Market Instruments | Securities that are designed for short-term lending and borrowing, they allow fund managers to get money quickly when they need it. |
| Ongoing Charges Figure (OCF) | Gives an indication of the annual cost of investing in a fund. Previously known as the Total Expense Ratio. |
| Pricing Frequency | The frequency at which the fund is valued and unit prices calculated. |
| Total Expense Ratio (TER) | As with the Ongoing Charges Figure, this gives an indication of the annual cost of investing in a fund. |
| Unit Price | This is worked out by dividing the total value of the fund by the number of units in the fund. For example if the fund was worth £200 and there were 100 units held in a fund, then the price of each unit would be (£200 divided by 100) = £2 (or 200 pence) a unit. |

Contact us

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*We're open 9am to 7pm Monday to Friday and 9am to 1pm on Saturdays. We might record your call to help improve our training and for security purposes. We hope you don't mind. Calls are normally free from UK landlines and from mobile phones. For further information please contact your service provider.

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