



## JARGON BUSTER

This document is intended to explain some of the jargon terms which are associated with the services we provide to our customers. However, this is not intended to be an all-encompassing guide and if there is anything which is unclear, or you do not understand, please let us know and we will do our best to explain.

### **Accrual of Interest**

Income that builds up over time (e.g. on a bond) but has not yet been paid out.

### **Account Executive**

Your usual contact at James Brearley. Our Account Executives are there to assist you. Depending on the Terms of the Agreement between us and you, they may be able to provide you with portfolio management services or take instructions on your investments.

### **Accumulation Unit**

A type of unit within an Open-ended Fund where the income is reinvested rather than paid out periodically. This has the effect of increasing the capital value of the unit.

### **Agent / Acting as Agent**

Where we act on your behalf in a transaction by dealing with a third party. If we act as your agent when we buy shares, James Brearley does not own the shares you are buying.

### **Agreement**

A completed Application Form in conjunction with the Services, Terms and Conditions in respect of any service that we offer.

### **Alternative Investment Market (AIM)**

A sub-market of the London Stock Exchange which allows smaller companies to float shares. AIM has a more flexible regulatory system than is applicable to the main stock market.

### **Asset Allocation**

An investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset (cash, bonds, shares, etc.) in an investment portfolio according to the investors attitude to risk, investment aim and time horizon.

### **'At Best'**

An instruction to execute an order at the best price prevailing in the market at that time.

### **BACS**

Bankers Automated Clearing System – an electronic system which allows payments and transfers of money.

### **Bargain**

A term used on the London Stock Exchange for a share transaction (i.e. a purchase or sale of shares).

### **Base rate**

The interest rate set by the Bank of England for lending to other banks, used as the benchmark for interest rates generally.

**Basis Point**

One hundredth of one percent or 0.01%.

**Bearer Stock**

A stock where merely holding the share certificate is taken as proof of ownership.

**Beneficial Owner**

The ultimate owner of an investment (i.e. the person who is entitled to the benefits of ownership).

**Benchmark**

An index that provides an investor with the ability to measure the relative performance of their portfolio against.

**Best Execution**

Obtaining the best possible outcome for a client when buying or selling investments.

**Bid Price**

The price at which an investor (via a broker) can sell investments. This is usually used for valuation purposes.

**Blue Chip**

A term used to describe large companies with a national reputation for quality, reliability and the ability to operate profitably in good times and bad.

**Bond**

An IOU (debt) issued by a company or government that promises to repay on a set date and to provide a set rate of interest.

**Bonus Issue**

Additional shares issued by a company to existing shareholders in proportion to their prior holding.

**Business Days**

Days during which the London Stock Exchange is open for business.

**Buy Back**

When a company buys its own shares in the market for cancellation.

**CAC**

A French stock market index.

**Choe All Companies Index**

A broad index of around 700 UK listed companies that is similar to the FTSE All Share Index.

**Certificate**

A document which demonstrates ownership of an investment. Such investments are often referred to as "certificated" investments.

**Certificate of Deposit (CD)**

A certificate entitling the bearer to receive interest. CDs are generally issued by commercial banks and have terms normally ranging from one month to five years. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination.

**Capital**

Cash available for investment or that you have invested.

**CGT**

Capital Gains Tax.

**Client Asset Rules (CASS)**

The requirements relating to money or safe custody assets which belong to clients, as defined by the Financial Conduct Authority.

**Closed-ended Fund**

An investment trust or similar which has a fixed number of shares or units when formed and which does not issue further shares or units.

**Collective Investment Schemes (CIS)**

A general term covering schemes where investors pool their investments and receive benefits in proportion to their investment in the assets in the pool.

**Commission**

A type of payment made by an investor to a stockbroker for carrying out a transaction.

**Complex Financial Instruments**

Investments where the characteristics of the instrument and the risk of loss associated with it can be difficult to identify and/or understand. These tend to have a number of characteristics which are generally associated with higher risk investments.

**Consolidation**

An exchange of existing shares for a fewer number of the same share type but with an increase in the nominal value per share.

**Contract Note**

A note which confirms the essential details of any transaction.

**Convertible Loan**

A corporate bond which may be converted to shares at a predetermined price and time.

**Corporate Actions**

Corporate actions are anything that a company does that has a direct impact on shareholdings or that involves payments to or from shareholders, such as dividend payments. Other examples of corporate actions include rights issues, scrip issues, splits, consolidations, and demergers. Sometimes referred to as capital reorganisations.

**Corporate Bond**

A bond issued by a company.

**Coupon**

The percentage interest rate applied to a bond. Usually expressed as a percentage of a bond's par value. The coupon is usually a fixed rate of interest. It may also refer to a detachable part of a bearer stock which is used to claim dividends and other rights.

**Covered warrants**

Tradable products, which are typically created by investment banks. An investor pays an amount of money for the right to receive either cash or some other underlying share or asset. Unlike warrants, they are exercisable against the issuing investment bank rather than the company that issued the underlying share or asset.

**Creation Price**

The lowest price for which units in an Open-Ended Fund can be bought (i.e. the cost of creating the units).

**Crest**

A system used for “paperless” settlement within the United Kingdom and Republic of Ireland, operated by Euroclear (UK & Ireland).

**Cum Dividend or “Cum”**

Meaning “with”. If you sell shares “cum dividend” you do not receive the next dividend, the buyer does.

**Custodian**

A financial institution that has legal responsibility for holding or looking after a customer’s investments (in both certificated and dematerialised form).

**DAX**

A German stock market index.

**Dealing hours**

The opening hours of the London Stock Exchange – currently 0800 to 1630 Monday to Friday.

**Debenture**

A corporate bond which is secured against a specific set of the company’s assets.

**Dematerialised investments**

Investments which can be held without evidence of ownership in the form of a certificate. Ownership is usually recorded electronically.

**Demerger**

A type of corporate action where a company decides to break away part of its business into a new entity.

**Deposit Account**

An interest-bearing account opened and operated with a United Kingdom bank or building society.

**Derivative**

An investment where the value is “derived” from the market value of another underlying asset such as a share or financial index.

**Discount**

In financial terms, this is normally taken to mean the difference between net asset value and the market price of an investment trust.

**Discretionary Service**

A portfolio management service where we will make changes to the portfolio, buying and selling investments at our discretion, without prior reference to you.

**Diversification**

A means of offsetting investment risk by investing in a range of different companies and asset types.

**Dividends**

A distribution of a company’s income (or profit) to its shareholders.

**Dividend Cover**

The extent to which a company's earnings exceed the dividend it pays.

**Dividend Yield**

A calculation on the return that the dividend would provide as a percentage of the current market share price.

**EGM**

Extraordinary General Meeting.

**Emerging Markets**

New, non-traditional investment markets in lesser developed countries.

**EPS**

Earnings per share (the net earnings of a company divided by the number of shares in issue).

**Equities**

Another term for stock or share. A share or stake in a company's fortunes.

**Eurobond**

A bond issued outside the issuer's base country, usually in a foreign currency.

**Exchange traded funds**

Sometimes referred to as "ETFs", these are funds which are traded on a stock exchange much like a share. Traditionally, the exchange traded fund itself invests in shares and other assets such as commodities and bonds. They are usually designed to track an index (such as the FTSE 100 or S&P 500).

**Ex Dividend or "Ex"**

Meaning "without". If you sell shares "ex dividend" you keep the right to receive any declared but unpaid dividend.

**Execution-Only Service**

A service where we act on your instructions only. We will make and offer no advice as to whether such an investment is suitable for you.

**Financial Ombudsman Service (FOS)**

A free and independent service to consumers that helps settle disputes between consumers and UK-based businesses providing financial services.

**Financial Conduct Authority (FCA)**

The UK Financial Services Regulator.

**Financial Services Compensation Scheme (FSCS)**

A compensation fund for customers of failed financial services firms.

**Fitch**

A credit ratings agency.

**Fixed Income / Fixed Interest**

Investments such as bonds which pay interest at a fixed rate throughout the terms of the investment.

**Flexible ISA**

The type of Individual Savings Account (ISA) that James Brearley offers, which allows an investor to extend the standard maximum annual subscription, by the amount of withdrawals they have made in that tax year.

**Flotation**

The first sale of stock by a company to the public.

**FTSE All Share Index**

A broad index of around 700 UK listed companies which is similar to the Cboe All Companies Index.

**FTSE 100 Index**

An index comprising of the largest 100 UK listed companies.

**FTSE 250 Index**

An index comprising of the 250 UK listed companies immediately below the FTSE 100 by market capital (i.e. the total value of the tradable shares).

**FTSE 350 Index**

An index made up of the FTSE 100 and the FTSE 250.

**FTSE Euro first 300 Index**

An index made up of the 300 largest companies ranked by market capitalisation in Europe including the UK.

**Fully Paid Share**

Shares issued in which no more money is required to be paid to the company by shareholders on the value of the shares. When a company issues shares upon incorporation or through an issuance, either initial or secondary, shareholders are required to pay a set amount for those shares. Once the company has received the full amount from shareholders, the shares become fully paid shares.

**Fund**

A term generally used for a Collective Investment Scheme.

**Fund of Funds**

A fund which invests in other funds.

**Gearing**

The extent of debt a company has, usually expressed as a ratio of debt to net assets.

**Gilts / Gilt-Edged stock**

Bonds issued by the UK government (also known as government bonds).

**Gross**

Income or interest before any tax is deducted.

**Hedge Fund**

An investment fund that can undertake a wider range of investment and trading activities than other funds, but which is only open for investment from particular types of investors specified by regulators.

**Hedging**

Making an investment in order to protect against an unexpected price movement.

**HMRC**

Her Majesty's Revenue & Customs.

**Income Payments**

The payment by an investment of income arising in the form of a dividend, interest or distribution.

**Index**

A statistical measure of change in a financial market. It can be thought of as an imaginary portfolio of investments representing a particular market.

**Index Fund**

A fund whose composition is designed to replicate the performance and returns of a particular stock market index. Also known as a tracker fund.

**Index-linked Gilt**

A gilt where the coupon and redemption price are linked to inflation (i.e. the Retail Price Index)

**Inflation**

Inflation is the rate at which the general level of prices for goods and services is rising and as a result the purchasing power of currency is falling.

**Inside Information**

Information relating to a share or similar investment which is not publicly known and would affect the investment's price if it was made public.

**Interest**

A fee paid by a borrower of an asset to the owner in return for the use of the assets. It is often calculated based on the base rate.

**Investment Risk**

The risk of investing and whether or not an investment will perform and return as expected.

**Investment Trust**

A company listed in the UK or Europe which invests in other companies and enables investors to pool their money.

**IPO**

An initial public offering (IPO) or stock market launch. It is the first sale of stock by a company to the public.

**ISA**

An Individual Savings Account being a tax wrapper that investors may subscribe a maximum amount to each tax year.

**ISA Regulations**

ISA regulations 1998 and also any new regulations or changes to them.

**James Brearley & Sons Limited Services, Terms & Conditions**

The general terms and conditions, applicable to the Private Client Services and provided by James Brearley to retail customers.

**Joint Tenants**

An arrangement relating to jointly held assets, where in the event of the death of any one person, the assets pass to the surviving party or parties.

**JISA**

Junior ISA.

**KIID**

Key Investor Information Document. This is a document which gives essential information in respect of a fund.

**Know Your Client**

The process of gathering information about a client.

**Limit Price**

An instruction to execute an order at a price fixed by the buyer or seller indicating the maximum or minimum price they are willing to accept.

**Listed or Quoted Company**

A company which is listed or quoted on a stock exchange.

**LSE**

The London Stock Exchange.

**Mandate**

The investment instructions you set for us. For example, your investment aims, the risks you are willing to take and any other matter we should take into consideration such as when you may need to sell.

**Market Maker**

A type of broker who makes buying and selling prices for investments.

**Maturity**

The point at which investments such as bonds are repaid.

**Member**

The person who has been admitted to the SIPP Trustee's approved pension scheme and for whom the SIPP Execution Only account is opened in accordance with these terms and conditions and the James Brearley & Sons Limited Services, Terms and Conditions.

**Member's Fund**

The accumulated value of cash, investments, contributions, transfer receipts and payments, other receipts and payments, taxes and any appropriately due expenses held within the Member's SIPP Execution Only account.

**Member's SIPP**

A trading account opened with us on an Execution Only basis, on behalf of a Member's Fund to allow the Account SIPP Trustee, the Member or the Member's Advisor access to trading investments and through which the SIPP Trustee, the Member or the Member's Advisor (in all cases on behalf of the Member's Fund) places orders or holds the balance or deficit standing to the Cash Settlement Account.

**Mid-Price**

The price half-way between the bid and offer price.

**MiFID**

The Markets in Financial Instruments Directive. This is an EU Directive which sets out how certain firms must deal with clients which was applicable to UK financial services firms from 1<sup>st</sup> November, 2007.

**MiFID II**

The Markets in Financial Instruments Directive II. This is an EU Directive in follow up to MiFID which sets out how certain firms must deal with clients which was applicable to UK financial services firms from 3<sup>rd</sup> January, 2018.

**Minor**

Any person who is under 18 years of age (the UK legal “age of majority”).

**Model Portfolio**

A standard portfolio against which individual client’s portfolios are compared.

**Moody’s**

A credit rating agency.

**Nil Paid Share**

Security that is tradeable but originally posed no cost to the seller. For example, a renounceable right being sold by the original owner to another investor is considered nil-paid. A right is an opportunity to purchase more shares, usually at discount, given to shareholders by a corporation. The shareholders receive these rights at no cost, and if the rights are renounceable, the shareholders can choose to sell them on the market.

**Non-Readily Realisable Investments**

Investments which can be difficult or impossible to sell at a reasonable price (or in some circumstances at any price).

**Nikkei 225 Index**

An index relating to the Tokyo Stock Exchange which is made up of 225 companies.

**Nominal Value**

See Par Value.

**Nominee Company**

A company established for holding investments on behalf of investors. Note – the Nominee Company becomes the legal owner of such investments, but the investor is the beneficial owner. See Beneficial Owner.

**Nominee Service**

A facility whereby an investment is not registered in your own name with you holding a certificate but is registered and held on your behalf by a nominee company.

**OEIC**

Open Ended Investment Company. An Open-ended fund.

**Offer Price**

The price at which an investor can buy investments (via a broker).

**Open-ended Fund**

A type of fund where new units or shares may be created where there are new investors. The fund can increase and decrease in size and normally has no end date.

**Ordinary Share**

Shares which may pay a dividend from a company’s profits after holders of preference shares have been paid.

**Overseas**

Anything relating to a foreign country. An overseas investment is one which is not constituted and/or listed in the UK.

**P/E Ratio**

Price Earnings Ratio – a company's share price divided by its earnings per share.

**Panel on Takeovers and Mergers**

Also known as the Takeover Panel, an independent panel which writes and enforces the rules by which takeovers of companies listed on the London Stock Exchange are conducted.

**Par Value**

The nominal value of an investment – in bonds this is normally 100.

**Penny Shares**

Normally taken to mean a very low priced speculative share but technically a penny share is one where the bid price is 90% or less of the offer price at any time.

**PIBS**

Permanent Interest-Bearing Shares. A share issued by building societies which pay a fixed rate of interest rather than a dividend.

**PIMFA**

Our trade body, the Personal Investment Management & Financial Advisers Association.

**Pool / Pooling**

Where several people's money is collected together and invested.

**Portfolio**

A group of some or all of your investments which are considered together – shares, bonds, cash, etc.

**Preference Shares**

Shares which give the owner preference over ordinary shares in the distribution of dividends. They also rank ahead of ordinary shares in their entitlement to the proceeds of any liquidation when winding-up a company.

**Prospectus**

A public document which gives details of a new share or a fund.

**Proxy**

A person or body (e.g. a Nominee Company) authorised by a shareholder to vote on their behalf at company meetings.

**PTM Levy**

A charge automatically imposed on investors when they sell or buy shares with an aggregate value in excess of £10,000. The charge is £1, and the money raised goes to the Panel of Takeovers and Mergers.

**Qualifying Investments (ISAs & JISAs)**

Stocks and shares and/or cash which can be held in an approved Tax efficient vehicle; such as an Individual Saving Account (ISA) or Junior ISA (JISA) in accordance with the regulations. Stocks and shares means United Kingdom (UK), European Community (EC) and certain other Foreign equities officially listed on a recognised stock exchange. Qualifying Investment Trusts, Unit Trusts, Open Ended Investment Company (OEIC), Gilts, Corporate Bonds and convertibles officially listed on a recognised stock exchange.

**Reconciliation**

Checking that a firm's record of cash and stock movements agrees with its statements of balances and holdings.

**Redemption**

The repayment to an investor of a redeemable investment.

**Redemption Yield**

The average annual return over the life of a bond, to include income and capital, if held to maturity.

**Redemption Date**

The date at which an investment such as a bond is to be paid back to the investor, normally at par value.

**Registerable Investments**

An investment which can be registered, where the registrar may issue a share certificate.

**Registrar**

An institution or organisation that is responsible for keeping records of the company's shareholders and bond holders. The registrar issues certificates, makes dividend payments and issues company notices.

**Relevant Laws**

All laws, regulations, rules and customs which apply to us and/or any transaction which we carry out for you. This includes but is not limited to the ISA Regulations, the rules of the Financial Conduct Authority and any other relevant regulator, the rules, customs and practices of the London Stock Exchange and of any other market or exchange on which a transaction is carried out.

**Retail Client**

A client defined under the Financial Conduct Authority rules who is entitled to the highest level of protection under the regulatory system.

**Rights Issue**

An issue of new shares to existing shareholders who have the right to buy them typically at a discount to the prevailing share price.

**Rolling Settlement**

The practice of settling transactions (i.e. paying for them or delivering the investment) a fixed number of days after the deal is transacted.

**Running Yield**

A calculation of income received from an investment as a percentage of its price. Also see Yield.

**Scrip Dividend**

A dividend that shareholders can accept in the form of shares of the company instead of cash.

**Security**

A generic term for shares, stock, bonds and other investments which can be bought and sold on the financial markets.

**Settlement**

The completion of contractual commitments such as the payment of cash in return for investment or the transfer of shares in return for cash.

**Share**

Where a company's capital is divided into small equal parts, a share is one of the parts. A share gives entitlement to share in the company's profits.

**Share Capital**

The amount of capital or money a company raises by issuing shares.

**Share Certificate**

A document that indicates the legal ownership in a company.

**Short Selling**

The selling of an investment which you do not own with a view to buying it back at a lower price.

**SIPP**

Self-Invested Personal Pension.

**Split / Share Split**

A corporate action in which a company's existing shares are divided into more shares. Although the number of shares increases by a specific multiple, the nominal value reduces by the same multiple.

**Split Capital Investment Trust**

Investment trusts which have two or more classes of shares. Usually, one share class is entitled to income and another capital growth.

**Spread**

The difference between buying and selling prices.

**Sovereign Debt**

Debt guaranteed by a government.

**Stabilisation**

A process where the market price of a new share or investment is maintained artificially during the period it is first made available to the general public.

**Standard and Poor's**

A credit rating agency.

**Standard and Poor's (S&P) 500 Index**

An index of 500 major US listed companies.

**Stamp Duty**

A tax levied in respect of purchases of shares and similar investments made within the UK.

**Stock**

Another term for share, equity or bond.

**Structured Product**

A "financially engineered" investment which typically comprise of two component parts – a depository note and a derivative or option.

**Subordinated Debt / Subordinated Loan Stock**

Loan stock issued by a company that ranks above its preference shares but below unsecured debt in the event of the company's liquidation.

**Subscription Shares**

Shares with the right to be exchanged for ordinary shares at a pre-set price within a period of time.

**Synthetic Exchange Traded Funds**

Investments that mimic the behaviour of an Exchange Traded Fund but through the use of derivatives such as options (rather than investing in shares and other assets).

**T+2**

Where settlement is due two working days after the trade date. This is the standard settlement period under which transactions are normally entered into. Settlement may be up to T+20 (i.e. 20 working days after the trade date).

**Takeover**

The acquisition of one business or company by another, either on an agreed or hostile basis.

**Tax Year**

A period commencing on 6th April in each calendar year and ending on 5th April in the following calendar year.

**Terms and Conditions**

The basis on which we will provide services to you.

**Third Party**

A person or organisation who is not you or us.

**Touch price**

The highest bid and lowest offer price.

**Tracker Fund**

A fund that aims to replicate the performance of a specified index.

**Treasury Bill**

Term applied to a short-dated Government issued security. Normally only used for US government bonds.

**Unit Trust**

A type of Open-ended Fund.

**Unlisted Security**

A share that is not officially listed on one of the world's principal stock exchanges. It may be possible to deal in an unlisted security through a market such as the Alternative Investment Market (AIM).

**Volatility**

A term applied to a measure of how a market or investment's price will fall or rise over a period of time.

**Walpole St Andrew Nominees Ltd**

The Nominee Company owned and controlled by James Brearley & Sons Limited.

**W8-BEN**

A certificate issued by the US Internal Revenue Service (IRS), a department of the United States Department of Treasury. W-8BEN is a Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding.

**Warrants**

These are similar to options, but the contract is issued by the company that issued the underlying share or asset. For example, a warrant may entitle the investor to buy shares in the company that issued the warrant at a specified price.

**We, us, our**

James Brearley or a company we control or own.

**Yield**

The annual income return generated by an investment usually expressed as a percentage of its share price.

**Yield Curve**

A graph of yields on bonds in relation to their expected maturity date.

**You, your, yours, yourself, client**

The individual, joint account holder or entity named in the Client Application Form and to whom we provide services under our Terms and Conditions.

**Zero Dividend Preference Share**

A type of share which has capital growth entitlements up to a given, fixed (but not guaranteed) redemption value and date.

**Zero Coupon Bond**

A type of corporate bond which does not pay interest but is issued at a discount to its par value and which redeems at par value

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James Brearley is the trading name of James Brearley & Sons Ltd.

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