

Definitions: Alternative Assets Investor Types

INVESTOR TYPE	DEFINITION
Asset Manager	Provides investment management and consultancy to a range of investors. The asset manager will invest the pooled funds of its clients in a diverse range of asset classes, minimizing risk while maximizing return.
Bank	A financial institution in which money is kept for commercial or savings purposes or is invested, used for loans, or exchanged. It mainly acts as a payment agent for its customers to lend and borrow money, as well as provide a variety of financial services.
Endowment Plan	A fund created in support of the work of a particular non-profit institution, frequently seen for universities.
Family Office - Single	A privately owned firm that manages investments and trusts for a single wealthy family.
Family Office - Multi	A privately owned firm that manages investments and trusts for multiple wealthy families.
Fund of Funds Manager	Specialist fund manager, raising funds from the capital of institutional investors with which investments in private equity funds are made. They may provide exposure to private equity funds which would otherwise be inaccessible to smaller investors. Fund of funds managers minimize risk by investing in a variety of private equity fund types.
Foundation	Non-profit organization with some sort of philanthropic purpose in the sense that it either invests in order to accumulate capital to donate funds and support to other organizations, or provides the sole source of funding for its own charitable activities.
Government Agency	A permanent or semi-permanent unit of a government that is responsible for the oversight and administration of specific functions. Its functions are executive in character.
Hybrid Manager	An investment manager which offers a vast range of services often similar to the services provided by advisory firms, investment banks, private equity firms, hedge funds and asset managers. They mostly simultaneously invest in private equity and hedge funds.
Insurance Company	Guarantees compensation for loss or damage in return for a premium. Insurance is therefore a form of risk management.
Investment Bank	An institution which acts as an agent or underwriter for corporations and governments issuing securities. Some also provide broker/dealer operations, as well as offer advisory services to investors. They facilitate mergers and acquisitions, private equity placements and corporate restructuring.
Investment Company	Invests the pooled capital of its shareholders in a variety of asset classes. Investment companies take three forms: open-ended investment companies (mutual funds), closed-ended investment companies (closed-ended funds) and Unit Investment Trusts (UITs).
Investment Trust	Closed-ended, pooled investment vehicle investing in a variety of asset classes, including alternatives. Investment trusts are publicly listed and traded on public stock exchanges.
Private Equity Firm	An investment manager that raises funds through limited partnerships that make investments in unlisted companies and may also make primary commitments to other private equity funds.
Private Sector Pension Fund	Pool of fund contributions, which invests in a variety of asset classes for the exclusive purpose of financing pension plan benefits. Private sector pension funds are regulated under private sector law.
Public Pension Fund	A fund set up by a government entity to invest the pension contributions of members and employees in securities and a variety of assets, as well as pay out pensions to those people when they reach retirement age.
Secondary Fund of Funds Manager	A manager that raises fund of funds vehicles through which it purchases fund stakes on the secondary market.
Sovereign Wealth Fund	A state-owned investment fund which is composed of financial assets such as stocks, bonds, property, precious metals or other financial instruments. It is usually of major economic and fiscal importance and is sometimes invested for the purposes of investment return.
Superannuation Scheme	A pension fund which can be either public or private. It is used in some parts of the world but mostly in Australasia.
Wealth Managers	Wealth managers are firms that provide advisory services, customized and sophisticated investment management and financial planning services to private investors, be they ultra-high-net-worth, high-net-worth or family office investors. Some entities also provide family office services to clients.

Definitions:

Private Equity, Real Estate & Infrastructure Performance Terms

TERM	DEFINITION
Average Net IRR %	Average IRR is simply the mathematical mean. Average IRRs must be analyzed with care because the mean value may be strongly affected by outlier IRR values.
Called up %	The proportion of the LP's aggregate commitments to the partnership that have been contributed to the partnership. These figures are as reported by the LP, so that in cases where the GP and LP have treated part of a distribution as a refund of contributions (and potentially liable to being recalled at a later date) the called up % will be amended accordingly.
Distributed (DPI – Distributions to Paid-in) %	The proportion of the called up capital that has been distributed or returned back to LPs. This will include cash and stock distributions, with the latter being valued as at the date of distribution and treated in the same way as a cash distribution. Distributed % is one measure of the cash performance of the partnership that is not subject to judgemental factors (as for value and IRR).
Median Net IRR %	The middle IRR in a series of funds ranked by IRRs, above and below which lie an equal number of IRR values. Median IRR represents the typical or the more likely IRR for a specific vintage year. It is one of the commonly used measures to benchmark individual fund performance for a particular type, geography and vintage of fund.
Weighted Net IRR %	An aggregate IRR calculated by weighting each fund IRR with its fund size, effectively meaning that large funds have more impact on the weighted IRR than small funds.
Net Multiple	The ratio between the total value that the LP has derived from its interest in the partnership - i.e. distributed cash and securities plus the value of the LP's remaining interest in the partnership – and its total cash investment in the partnership, expressed as a multiple. It is important to note that this measure does not reflect the time value of money, and therefore will not show whether one partnership has returned value to LPs more quickly or more slowly than another. However, it is one measure of “profit” or “loss” for the LP.
Net IRR %	The net IRR earned by an LP to date after fees & carry. The internal rate of return is based upon the realized cash flows and the valuation of the remaining interest in the partnership. IRR is an estimated figure, given that it relies upon not only cash flows but also the valuation of unrealized assets. The IRR estimates shown are both those as reported by the LP and / or GP, and those that Preqin has calculated internally, based upon cash flows and valuations, provided for individual partnerships.
Pooled Net IRR %	This is calculated by combining multiple funds' cash flows and calculating an IRR using all funds' contributions, distributions and remaining values as if they were from a single fund. Pooled IRRs take into account the timing of each cash flow and the size of each fund. Larger funds will have more influence than the smaller funds and the timing of the distributions will affect performance.
Quartile Ranking	This shows which quartile of the relevant peer group the fund falls into. When calculating the quartile ranking, we put equal weight on IRR and multiple. We have specific benchmarks for buyout, venture, early stage, fund of funds, real estate and mezzanine funds. Funds of a different type are benchmarked against “All Private Equity”. Top quartile funds are funds with an IRR or multiple equal to or above the upper quartile benchmark; second quartile funds are funds with an IRR or multiple equal to or above the median quartile figures but under the upper quartile figures, etc.
Remaining Value (RVPI- Residual Value to Paid-in) %	The value of the LPs' remaining interest in the partnership, as derived from the GP's valuation of the unrealized portfolio and its allocation of this to the LP. Valuation of unrealized investments expressed as a percentage of called capital.
Total Value to Paid-in (TVPI) %	Sum of distribution to paid-in and residual value to paid-in. i.e. distributed cash and securities plus the value of the LP's remaining interest in the partnership.
Vintage	At Preqin, we define the fund vintage to be the first year of investment/drawdown from the investor.

Definitions: Private Equity, Real Estate & Infrastructure Fundraising Terms

FUND TYPE	DEFINITION
Balanced	Invests in companies at all stages of development, from early stage to buyout.
Buyout	Invests in established companies, often with the intention of improving operations and/or financials. Investment often involves the use of leverage.
Co-Investment	Minority investments made alongside a buyout, recapitalization or other transaction; a non-controlling investment.
Distressed Debt	Buys corporate bonds of companies that have either filed for bankruptcy or appear likely to do so in the near future. As part of the company reorganizations, distressed debt firms often forgive the debt obligations of the company, in return for enough equity in the company to compensate.
Early Stage	Type of venture fund that invests only in the early stage of a company life. Can be either Seed or Start-up.
Early Stage: Seed	Allows a business concept to be developed, perhaps involving the production of a business plan, prototypes and additional research, prior to bringing a product to market and commencing large-scale manufacturing.
Early Stage: Start-up	Supports a non-commercial company's product development and marketing.
Expansion/Late Stage	Invests in companies towards the end of the venture stage cycle. Provides capital injections for expansion into a position of stable profit streams. Typical with venture deals, expansion/late stage funds take short- to mid-term, minority positions.
Fund of Funds	Invests in a number of private equity partnerships.
Growth	Typically takes significant minority positions in companies without the use of leverage. Targets profitable, but still maturing, investee companies with significant scope for growth. Investment horizons are mid to long term, similar to those seen with buyout funds.
Infrastructure	Typically invests in large-scale infrastructure projects in transportation, regulated industries such as power and water, telecom, and social infrastructure.
Mezzanine	Debts that incorporate equity-based options, such as warrants, with a lower-priority debt, often used to finance acquisitions and buyouts.
Natural Resources	Invests in companies sourcing various commodities, including energy products, agriculture products and land holdings, precious metals and industrial metals.
Real Estate	Closed-ended private real estate funds that invest in property.
Secondaries	Acquires stakes in private equity funds from existing limited partners.
Special Situation	Focuses on complex situations, such as project finance or one-time opportunities resulting from government regulations, with the goal of resolving the situation in an attempt to restore a company's value.
Timber	Invests in forestry and timber land and products.
Turnaround	Aims to revitalize companies with poor performance or experiencing trading difficulties.
Venture (General)	Provides capital to new or growing businesses with perceived, long-term growth potential.

Definitions: Private Equity, Real Estate & Infrastructure Fund Terms and Conditions

TERM	DEFINITION
Management Fee during the Investment Period	Management fees during the investment period are almost invariably calculated as a percentage fee applied to the commitments made by the LP to the fund. The logic behind this is that the primary determinant of the workload for the GP is the search for potential investments, and this is driven by the size of total commitments to the fund, and not the actual amount invested at this stage in the fund's lifetime.
Management Fee Reduction after the Investment Period	Almost all private equity funds base their management fees during the investment period on a percentage fee rate multiplied by the LP's commitment to the fund. The investment period is generally the most costly period for managing the fund, due to the workload of finding and acquiring investments, and the management fees reflect this. Fees for most funds are reduced after the investment period, and the reduction can be effected through a range of mechanisms including a step-change in the percentage rate charged, an annual reduction in the rate charged, and / or changing the asset base for fee charging from commitments to the cost basis of the unrealized portfolio.
Fee Rebates to LPs	It is common practice for the managers of private equity funds to provide corporate finance and other services to the portfolio companies that they own, and to charge for these services. These transaction fees can be very significant, often amounting to 1.0 to 1.5% of the value of companies acquired. In addition, the firms will charge monitoring fees and directors' fees to the companies in the portfolio. It used to be common practice for managers to retain these fees, but now all or a significant proportion of them are rebated to the investors in the fund, often through offsetting against the management fee.
GP Carry	The GPs managing most private equity funds earn a share of the net investment gains from the fund through the carry, which can be structured in two principal ways: on a deal-by-deal basis or on a whole fund basis.
Hurdle Rate / Preferred Return	The level of return that must be achieved by the GP before they are able to claim carry.
Deal-by-Deal vs. Whole Fund Distribution of Proceeds	'Whole fund': the GP only starts to earn carry once the LPs have received distributions equalling their total contributions to the fund (plus any specified preferred return). The total amount of carry should be the same as under the 'deal-by-deal' method, but under this method the GP will have to wait longer to earn its share of the profits. 'Deal-by-deal': the GP earns carry related to the specific deal for which distributions are being made, as long as LPs have received back their contributions made with respect to investments realized up to that point in time, and commonly also contributions made with respect to any writedown amounts on unrealized investments, as well as expenses attributable to both (plus any specified preferred return).
GP Catch-Up Rate	Once the hurdle rate has been met, the GP catch-up rate is the proportion of subsequent gains that are allocated to the GP until the GP has caught up to its predetermined share of overall profits. For example, a GP catch-up rate of 100% would mean that after investors had received all the returns up to the hurdle rate, the GP would then receive all gains thereafter until its overall share of all gains reached the stated rate of carry.
Minimum LP Commitments	Most funds impose restrictions on the minimum commitments that LPs can make to the fund. As might be expected, the minimum required commitment size tends to be larger for funds targeting larger amounts of total capital.
GP Commitments	It is normal practice for the GP managing a private equity fund to also make a financial commitment to the fund on the same basis as the LPs in the fund, and this is seen as an important factor driving the alignment of GP and LP interests.
Fund Formation Costs / Organizational Expenses	Most partnership agreements make a provision for the costs of setting up the fund to be borne by the fund itself (as opposed to being an expense for the GP), up to a stated amount. As would be expected, the allowable costs generally rise with fund size. Placement fees are generally explicitly excluded from the costs to be borne by the fund, as these are the responsibility of the GP.

Definitions: Private Equity, Real Estate & Infrastructure Fund Terms and Conditions

TERM	DEFINITION
LP Advisory Committee	The majority of private equity funds have LP advisory committees, and include provisions for investors to be appointed to the board by the GP, with a majority of investors being independent of the fund manager. The membership of these committees tends to increase with fund size.
No-Fault Divorce Clauses	Private equity funds have always had provisions for terminating the investment period and / or appointing a new GP to manage the fund in the event that the GP is guilty of gross misconduct or breaches material provisions of the partnership agreement. However, in a development aimed at improving governance and security for LPs, an increasing proportion of funds now have so-called no-fault divorce provisions, whereby a stated supermajority of LPs can elect to make these changes without cause. These provisions started coming in during the late 1990s, and have now become an industry standard, with almost all funds now having a no-fault divorce clause included.
Key-Man Provisions	Key-man provisions are an important non-economic governance factor for private equity funds, giving the LPs in the fund the opportunity to terminate the fund's investment period and / or appoint a new GP to manage the fund, in the event that certain specified provisions concerning the number of the original principals of the managing firm continuing to devote all or the majority of their professional time to the management of the fund cease to be met by the GP.

Definitions:

Private Equity General Terms

TERM	DEFINITION
Bitesize	A range of money which an investor looks to commit to each vehicle it invests in. In some cases it is taken as an investor's average commitment to funds it has committed to in the past and can vary with different fund types.
Co-investment	Direct investment made by a limited partner in a company also backed by the private equity fund. The limited partner therefore acquires two separate stakes in the company - one indirectly through the fund and one directly in the company.
Commitment	The specified sum of capital an LP has agreed to contribute to a private equity fund. The sum of commitments to a private equity fund equals the total size of the fund.
Current Allocation to PE	The total amount invested in private equity funds as a percentage of total assets.
Discretionary Investment Consultant	Makes all investment decisions on behalf of an institution but within the institution's specific guidelines.
Drawdown	The actual act of transferring capital into the fund's portfolio companies; when a fund manager/general partner has decided where it would like to invest the private equity fund capital, it will approach its limited partners in order to draw down some of the capital that is already committed to the fund.
Dry Powder	The amount of capital that has been committed to a private equity fund minus the amount that has been called by the GP for investment.
First-Close Investor	An investor that will commit to a fund before it has held a first close. The investor is usually given an incentive by the fund manager to make a commitment before the first close, such as reduced fees.
First-Time Fund	A vehicle which is the first to be raised by a particular private equity firm. Usually a firm or fund management team which has not previously raised any private equity funds.
Fundraising Outlook	<i>Announced</i> - fund has been announced, but has not yet entered the fund raising stage; <i>Estimated</i> - On average it takes about four years for a fund to invest all commitments raised. In general, once a fund is over 70% invested, fund managers can start fundraising another fund. It is therefore possible to estimate when a private equity firm will start fundraising their next fund in a series (i.e. they raise multiple funds of different types at different times).
General Consultant	Provides advice on the overall investment strategy of an institution.
General Partner (GP)	The partner in a limited partnership responsible for all management decisions of the partnership. The GP has a fiduciary responsibility to act for the benefit of the limited partners (LPs), and is fully liable for its actions.
Interim Closes	While the fund is in market it may have interim closes. These closes are named in the sequence they occur. The first interim close is termed "first close", the second close "second close". Once the fund has had a first close, it can begin to make investments.
Investment Consultant	An institution/firm that provides advisory services for a fee. Investors can use advisory services to different extents. Institutions can also have different consultants for different parts of their investment portfolios and/or strategies.
Limited Partner (LP)	Institutions or high-net-worth individuals/sophisticated investors that contribute capital to a private equity fund.
Limited Partnership	Consists of the general partner that makes investments from the private equity fund and the limited partners which have committed capital to the fund. The partnership generally has a 10-year life span, although the capital is usually invested after three to five years, before the general partner exits the underlying companies for a return on behalf of the limited partners.
Non-Discretionary Investment Consultant	Recommends a number of fund investments to an institution but ultimately the decision whether to invest or not lies with the institution.
Private Equity Investment Consultant	Makes recommendations as to which private equity funds an institution should commit to.
Separate Accounts	Customized private equity investment accounts held with a private equity fund manager, financed by one institutional investor (limited partner). The fund manager makes multiple investments from the account to meet the strategic and other portfolio management needs of the institutional investor.
Spin-off	A fund managed by a team that has left or been demerged from an established firm.
Spin-out	A fund management team which has spun out from a previous private equity firm to create their own organization and are raising a fund under the umbrella of their new firm for the first time.
Target Allocation to PE	Pre-determined proportion of total assets to be invested in private equity funds. Often given as a percentage, the investor will invest to reach or maintain this target in the long term.

Definitions:

Buyout Deals Terms

Buyout Deal Type

TERM	DEFINITION
Add-on	When a PE-backed portfolio company acquires another smaller company, or the assets of another company. This is typically to consolidate their market position, or acquire proprietary technologies from competitors, and often involves acquiring smaller rivals.
Buyout	A leveraged acquisition where the PE firm will typically acquire the whole, majority or a controlling stake in a private company.
Growth Capital	An equity investment into a private company, where the PE firm typically acquires a non-controlling or minority stake, with the view to provide capital to increase the expansion plans of the company.
Public to Private	Where a company is bought from the stock exchange and de-listed by the PE firm.
PIPE (Private Investment in Public Equity)	An investment made by a PE firm into a public company, which remains public post-investment.
Recapitalization	An investment which typically includes the restructuring of debt and equity, with a view to stabilizing the company's capital structure.
Restructuring	A transaction where significant modification is made to the debt, operations or structure of a company.
Merger	Where a PE-backed company merges with another company to form a new entity.

Buyout Deal Status

TERM	DEFINITION
Announced	The deal has been agreed and announced, and is subject to regulatory filings and customary closing conditions before completion.
Completed	The transaction has been fully finalized and completed.
Abandoned	The transaction has been terminated before completion.
Bidding	The buyers have submitted a bid for the company, and are awaiting a response from the company.
Rejected	A bid from a PE firm for a company has been rejected by the company management/shareholders.

Buyout Deal Exit Type

TERM	DEFINITION
IPO (Initial Public Offering)	A company is listed on the stock exchange. Otherwise known as a flotation.
Sale to GP	A PE-backed company is sold to another private equity/venture capital firm.
Sale to Management	The management of the portfolio company buy it from the private equity firm.
Trade Sale	The company is sold to another company.
Write Off	The portfolio company discontinues operations and goes into liquidation, with the result that the PE firm no longer has a stake in an operating entity. Equivalent to Chapter 7 in US bankruptcy law.
Restructuring	A company restructures its debt, often leading to the investors ceding control of the company to the debt providers. Equivalent to Chapter 11 in US bankruptcy law.
Private Placement	PE firm sells shares in a public portfolio company.
Recapitalization	A portfolio company issues debt in order to pay a dividend to a PE firm (dividend recap) or a portfolio company is sold as part of a recapitalization - change in the capital structure of the company (i.e. the proportion of equity to debt).
Merger	PE firm sells a stake in the portfolio company to another company as part of a merger of operations.

Other Buyout Deal Definitions

TERM	DEFINITION
Advisor - Buyer	A firm that has provided investment advice, analysis, due diligence or legal advice for a fee on behalf of the buyer.
Advisor - Seller	A firm that has provided investment advice, analysis, due diligence or legal advice for a fee on behalf of the seller.
Announced Date	The date the deal was first announced by the portfolio company or investor.
Completion Date	The date the transaction was finalized and completed.
Deal Size	The size of the transaction, including leverage.
Deal Size - Equity	The amount of equity invested by the buyers.
Debt Financing Provider	A bank or firm that has provided financing commitments and leverage for the transaction.
Offer Per Share	The share price at which the buyers have acquired the company. This is relevant for public-to-private and PIPE investments. This will generally represent a premium to the market share price.
Market Share Price	The actual market share price on the stock exchange at the time of the offer from the buyers.
P/E Ratio (Price-Earnings Ratio)	A valuation ratio of a company's current share price compared to its per-share earnings.

Definitions:

Venture Capital Deals Terms

Venture Capital Deal Types

TERM	DEFINITION
Angel	An initial stage of funding provided by angel investors, typically friends, relatives or individual entrepreneurs.
Seed	The first stage of venture capital financing by a professional VC firm, typically a small investment in a very early-stage company that has usually not yet established commercial operations.
Series A	Series A Preferred Stock leads on from the Angel/Seed Stages, and is the first significant round of venture capital funding where Series A preferred stock is offered by a portfolio company to the venture capitalist. Series A preferred stock is convertible into common stock in certain cases such as an IPO or the sale of the company.
Series B, Series C and onwards	A mid-stage second round of financing provided by venture capitalists, typically once a company has accomplished certain milestones in developing its business. Successive rounds are then termed Series C, Series D and so forth, each offering preferred stock and typically once a company has accomplished milestones set out. As a company reaches Series D financing it moves into later-stage venture capital funding.
Expansion Capital	A later-stage venture capital round in companies that are looking for capital to expand or restructure operations, enter new markets or finance a significant acquisition without a change of control of the business.
Pre-IPO	An investment into a company that is set to complete its IPO in the near future, often at a discounted price relative to expected IPO pricing amount.
Venture Debt	A type of debt financing provided to venture capital-backed companies by a specialized financier to fund working capital or capital expenses. Venture debt providers combine their loans with warrants or rights to purchase equity, to compensate for the higher risk of lending.
Unspecified Round	A venture capital financing round where the stage/series has not been disclosed.
Add-on	When a venture capital-backed company acquires another smaller company, or the assets of another company. This is typically to consolidate their market position, or acquire proprietary technologies from competitors, and often involves acquiring smaller rivals.
PIPE	(Private Investment in Public Equity) An investment made by a venture capital firm into a public company, which remains public post-investment.
Secondary Stock Purchase	Where part or all of an investor's stake in a venture capital-backed company is acquired directly from a shareholder/investor, rather than purchasing stock from the company.
Grant	An award of financial assistance, typically by a government, to an eligible grantee with no expectation that the funds will be paid back.
Merger	Where a venture capital-backed company merges with another company to form a new entity.

Venture Capital Deal Exit Type

TERM	DEFINITION
IPO	(Initial Public Offering) A company is listed on the stock exchange. Otherwise known as a flotation.
Sale to GP	A venture capital-backed company is sold to another private equity/venture capital firm. Also referred to as Secondary Buyout.
Sale to Management	The management of the portfolio company buy it from the venture capital firm.
Trade Sale	The company is sold to another company.
Write Off	The portfolio company discontinues operations and goes into liquidation, with the result that the private equity firm no longer has a stake in an operating entity. Equivalent to Chapter 7 in US bankruptcy law.
Restructuring	A company restructures its debt, often leading to the investors ceding control of the company to the debt providers. Equivalent to Chapter 11 in US bankruptcy law.
Private Placement	Venture capital firm sells shares in a public portfolio company.
Recapitalisation	When a portfolio company is sold as part of a recapitalization process - change in the capital structure of the company.
Merger	Venture capital firm sells a stake in the portfolio company to another company as part of a merger of operations.

Other Venture Capital Deal Definitions

TERM	DEFINITION
Advisor - Buyer	A firm that has provided investment advice, analysis, due diligence or legal advice for a fee on behalf of the buyer.
Advisor - Seller	A firm that has provided investment advice, analysis, due diligence or legal advice for a fee on behalf of the seller.

Definitions:

Private Equity Secondary Market Terms

TERM	DEFINITION
Commitment	The specified sum of capital an LP has agreed to contribute to a private equity fund over the lifetime of the vehicle.
Contribution	The total call-up obligations the LP has met since the fund's inception.
Delinquency	Nonpayment of a drawdown when due.
Direct Secondary	The sale of an interest in direct private equity investment or portfolio of direct private equity investments to a new third-party investor. The buyer either manages the investment/portfolio or appoints a manager typically a direct secondaries manager - to do so
Drawdown	The act of transferring a proportion of each LP's pledged commitment to the fund to an investment target.
Early Secondaries	Secondary market transactions involving the transfer of LP interests in funds which are less well-funded. Early secondaries are also referred to as 'secondary-lite' transactions.
Earn Out Clause	An agreement included within a secondary transaction which protects the best interests of the seller. The pricing of the offering is directly related to the future performance of the underlying funds and can be structured mainly in two ways. A minimum price can be agreed and paid in full, with the buyer agreeing to make further regular payments based on the performance of the funds. Alternatively, the buyer can purchase a portion of the offering, with the remainder of the offering to be purchased at a later date, when the price can more easily be calculated by taking into account the performance of the underlying funds.
J-curve Effect	The tendency for a private equity fund to deliver negative returns in its early years, which are dominated by management fees and investment costs, and positive returns in the later years of the fund's life, which tend to be dominated by exits from the underlying investments. The J-curve effect can be mitigated in part through investment in the secondary market.
Limited Partner (LP)	Institutions or high-net-worth individuals that contribute capital to a private equity fund.
Limited Partnership	Consists of the general partner that makes investments from the private equity fund and the limited partners that have committed capital to the fund. The partnership generally has a 10-year life span, although the capital is usually invested after three to five years, before the general partner exits the underlying companies for a return on behalf of the limited partners.
Limited Partnership Interest	The share of the profits and losses of a limited partnership and the right to receive distributions of partnership assets.
Listed Private Equity	Publicly traded shares in vehicles which acquire the private ownership of companies.
Net Asset Value (NAV)	The total value of a fund's portfolio less liabilities. The NAV of an LP interest is valued on the LP's contribution towards its commitment.
Partial Sale	Secondary market transaction whereby the seller retains a proportion of its original LP interest in a private equity fund.
Secondaries Fund	Private equity fund raised by secondary fund of funds managers, which acquires limited partnership interests in private equity funds from the original limited partners.
Secondary Co-Investment	The direct investment of a secondary market buyer alongside the GP of the fund in which it has acquired an LP interest.
Secondary Fund of Funds Manager	An investment specialist for whom the main business is the management of secondaries funds, which acquire limited partnership interests in private equity funds.
Secondary Market Intermediary	A third party which facilitates a deal between the buyers and sellers of private equity fund interests. In order to accurately assess the value of an offering, the intermediary undertakes extensive due diligence of the underlying assets held by the funds in which interests are to be sold. Secondary market intermediaries source the potential buyers of the offering and tailor the structure of the transaction to the specific needs of both the seller and the buyers.
Stapled Secondary	A secondary transaction whereby the buyer of the limited partnership interest agrees to commit fresh, primary capital to a new fund being raised by the GP of the fund in which the interest was purchased.
Structured Sale	Enables distressed LPs to finance their drawdown obligations, while retaining ties with their fund managers. The LP contributes its fund interests to a joint venture, which is co-owned by a counter-party, which contributes cash to the joint venture and finances 100% of the future capital calls. The LP and the counter-party each receive 50% of the future distributions generated by the joint venture, providing the counter-party first receives an agreed-upon return on their contribution.
Synthetic Secondaries	Investment by third-party investors in a new limited partnership formed specifically for the acquisition of an entire portfolio of direct private equity investments from a parent company or private equity firm. The existing management team can be retained or new management can be brought in to manage the portfolio
Treasury Regulation 1.7704	Tax rule which limits the annual transfer limit for US limited partnerships to 2%. Exceeding this limit can result in the fund losing its private status, which would subject it to higher taxation. The threshold can be raised to 10% provided a qualified matching service is employed to transact the transfer.
Unfunded Commitments	Total commitment less contributions to date. The unfunded commitment is the remaining capital the LP is obliged to pay to the GP of the fund for future investments.
Vendor	A term for the seller of private equity fund interests.

Definitions:

Real Estate Terms

Legal Structures

TERM	DEFINITION
AB	Aktiebolag. A Swedish stock company. Privately-held ABs must have capital of at least SEK 100,000 upon incorporation.
ASA	Allmennaksjeselskap. The Norwegian term for a public limited company.
BV	Besloten Vennootschap. The Dutch terminology for a private limited liability company
CV	Commanditaire Vennootschap. A Dutch Limited Partnership.
FCP	Fonds Commun de Placement. Fonds Commun de Placement. A co-proprietorship whose joint owners are only liable up to the amount they have contributed and whose rights are represented by units. An FCP does not have legal personality and requires a Luxembourg-based management company.
FIL	Fondo de Inversión Libre. A Spanish investment fund.
GK	GK Godo Kaisha. a Japanese structure, similar to a limited liability company
GmbH	Gesellschaft mit beschränkter Haftung. Translates as Company with Limited Liability. The structure exists in Germany, Austria and Switzerland. In Germany the company is incorporated, but not publically traded and must have at least two partners. In Austria there must be at least two founding shareholders.
Immobilienfonds	A German open-ended fund. Generally established for retail investors, there are various limitations imposed on the nature and geographic location of investments.
Incorporated (Inc.)	A legal entity where the ownership has been arranged into shares. A shareholder has no responsibilities to the company and the potential losses of the shareholder are limited to the value of the stock turning to zero in the case of a bankruptcy.
KY	Kommandiittiyhtiö. A Finnish limited partnership.
Limited Partnership	A form of partnership consisting of both general and limited partners. General Partners have authority as agents of the firm to bind all the other partners in contracts.
LLC	Limited Liability Company. A US structure in which shareholders have limited liability for the actions of the company/fund.
NV	Naamloze Vennootschap. A Dutch public open stock company.
PLC	Public Limited Company. PLCs are limited companies in the UK and Ireland that are allowed to sell their shares to the public.
Private REIT	Private Real Estate Investment Trust. A REIT that is not registered with the Securities and Exchange Commission or traded on a national exchange.
Property Unit Trust	A collective investment scheme in property which invests in a portfolio of investment grade properties that is held for its rental income and capital appreciation.
Public REIT	A Real Estate Investment Trust which files with the SEC and whose shares trade on national stock exchanges.
SARL	Société à responsabilité limitée. A company whose liability is limited to the contributions of its members.
SCA	Société en Commandite Par Actions. A hybrid partnership with joint stock company and civil aspects, formed by two classes of shareholders, (i) the general partner(s) with unlimited, joint and several liabilities and (ii) the limited shareholders with limited liability.
SICAF	Société d'Investissement à Capital Fixe. An investment company with fixed capital. It is subject to formalities when changes are made to its capital
SICAR	Société d'investissement en capital à risque. A Luxembourg structure designed to facilitate the raising of funds and to allow investment in risk-bearing capital.
SICAV	Société d'Investissement à Capital Variable. An investment company whose capital is always equal to its net assets.
SIF	Société de Participations Financières. A Luxembourg branded investment vehicle for sophisticated investors. Can be structured as a common fund (FCP) or investment company (SICAV or SICAF).
Spezialfonds	German Special Funds or Spezial-Sondervermögen. These are funds which are managed by German investment management companies for institutional investors.
Unlisted REIT	A publically registered, non-traded Real Estate Investment Trust. It files with the Securities and Exchange Commission, but is not traded on a national exchange.
YK (Yugen Kaisha)	A Japanese vehicle often held by a Cayman SPV.

Definitions:

Real Estate Terms

Real Estate Strategies

TERM	DEFINITION
Core	Investment in low-risk real estate that provides relatively low returns. Investments are typically located in primary markets and in the main property types (office, retail, industrial and residential). Properties are stable, well maintained, well-leased and often of the class A variety. Investments require little or no leverage (0 to 30%) or additional capital investment.
Core-plus	Investment in moderate-risk real estate that provides moderate returns. Investments are predominantly core but with an emphasis on a modest value add approach. Focus is on the main property types, in both primary and secondary markets, in class A or lower quality buildings that require some form of enhancement (i.e. repositioning and/or re-leasing). Investments typically utilize 30% to 55% leverage and some additional capital investment.
Debt	The origination or acquisition of loans secured by real estate. May include mezzanine debt, preferred equity or senior loans.
Distressed	Investments in distressed assets. Investments can be made in a variety of ways, including providing debt or equity to owners with liquidity problems, or to those that are seeking to recapitalize properties.
Opportunistic	Investment in high-risk real estate that provides high returns. Investments are typically in lower quality buildings in primary, secondary or emerging markets across all property types, including niche sectors. Buildings often require significant enhancement to upgrade them to class A buildings (i.e. development and/or extensive redevelopment/repositioning/releasing). Investments typically utilize leverage of 60% or more, significant capital investment and will target an IRR in the high-teens and upwards.
Value Added	Investment in moderate to high-risk real estate that provides moderate to high returns. Investments are typically in lower quality buildings, in both primary and secondary markets in the main property types. Buildings often require enhancement to upgrade them to class A buildings (i.e. redevelopment/repositioning/releasing). Investments require between 50% to 70% leverage, and additional capital investment, and will acquire an expected internal rate of return (IRR) in the low double digits to the mid-teens.

Types of Real Estate Investment

TERM	DEFINITION
Closed-End Fund	A fund with a fixed life span that typically does not allow redemptions or the entry of additional investors after the initial formation of the fund. Closed-end funds typically acquire a portfolio of assets during an initial investment period and do not invest the sales proceeds.
Direct Real Estate	Direct property holdings, acquired for investment purposes, which are not made through private funds or similar structures.
Listed Real Estate	Real estate instruments that are publicly traded on a stock exchange. This includes Real Estate Investment Trusts (REITs), as well as shares of other listed real estate companies and listed real estate funds.
Open-Ended Fund	A fund with no finite life that allows continuous entry and exit of investors and typically engages in ongoing investment purchase and sale activities.
Private Real Estate Fund	A closed- or open-ended pooled fund, primarily designed for institutional investors, which makes equity or debt investments in real estate.

Definitions:

Real Estate Terms

Debt Types

STRATEGY	DEFINITION
B-Note	Financing that is secured by a shared first lien with cash flow subordinated via an inter-creditor agreement.
Bridge Loan	Interim financing for an individual or business until permanent or the next stage of financing can be obtained. Bridge loans are often used for commercial real estate purchases to quickly close on a property, retrieve real estate from foreclosure, or take advantage of a short-term opportunity in order to secure long-term financing.
CMBS	Commercial Mortgage-Backed Security. A security backed by mortgages on commercial real estate.
CRE CDO	A CDO backed primarily by commercial real estate assets. CDO is a type of asset-backed security and structured credit product.
First Mortgage	A mortgage that has priority over all other mortgages.
Mezzanine	Investments in debt, equity or hybrid equity/debt positions subordinate to the first mortgage and senior to the property owners' equity.
Non-Performing Loan	A loan that is in default or close to being in default.
Preferred Equity	Financing that is senior to sponsor equity. Can resemble a mezzanine loan.
RMBS	Residential Mortgage-Backed Securities. A security backed by mortgages on residential real estate.
Senior Loan	A form of debt that takes priority over other debt securities sold by the issuer.
Sub-Performing Loan	A loan that is making payments but not the full principal and interest payments that the Mortgage Note demands.
Whole Loan	A mortgage loan when the owner of the debt also owns the servicing rights.

Definitions:

Infrastructure Terms

TERM	DEFINITION
Brownfield Stage	Involve an existing asset or structure that requires improvements, repairs, or expansion. The infrastructure asset or structure is usually partially operational and may already be generating income.
Economic Infrastructure	Includes clean technology, distribution/storage facilities, environmental services, telecommunications, satellite networks, transportation - aviation/aerospace, bridges, parking lots, railways, roads, sea ports, tunnels, utilities - energy, natural resources, renewable energy, water, and waste management.
Greenfield Stage	Involves an asset or structure that does not currently exist and needs to be designed and constructed. Investors fund the building of the infrastructure asset as well as the maintenance after it is designed, built, and operational.
Global Infrastructure Fund	A vehicle investing in more than one geographic region.
Infrastructure Bond	A debt investment in which an investor loans capital to an infrastructure project or company for a defined period of time at a fixed interest rate. Bonds are traditionally issued by companies, municipalities, and both local and central governments.
Listed Infrastructure Fund	A vehicle that is publicly traded on a stock exchange. The fund invests in infrastructure assets and may also invest in infrastructure-related companies.
Organisation for Economic Co-operation and Development (OECD)	Consists of the governments of countries committed to democracy and the market economy. The organization aims to support sustainable economic growth, boost employment, raise living standards, maintain financial stability, assist other countries' economic development and contribute to growth in world trade. The 34 member countries of the OECD are: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Republic of Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the UK and the US. In May 2007, OECD countries offered enhanced engagement to Brazil, China, India, Indonesia and South Africa. While enhanced engagement is distinct from accession to the OECD, it has the potential to lead to future membership.
Primary Fund	An investment vehicle that invests directly into a company or asset.
Private Finance Initiative (PFI)	A form of PPP developed by the Australian and UK governments.
Public-Private Partnerships (PPP / P3)	Contractual agreements between public bodies, local authorities or central government, and private companies to deliver a public, social or economic infrastructure project.
Real Assets	(Also known as Hard Assets) generally applied to those assets that are tangible in nature, and often expected to provide valuation protection during inflationary periods. Real Assets include real estate, infrastructure, private energy, commodities and timber.
Secondary Fund	An investment vehicle that purchases the interests of original investors in limited partnership funds before the limited partnership contract terminates.
Secondary Stage	Involves a fully operational asset or structure that requires no investment for development.
Social Infrastructure	Includes defence/national security, education facilities, healthcare/medical facilities, judicial buildings, prisons, and senior homes.
Subordinated Debt	Also known as a junior security or subordinated loan. Subordinated debt is a loan or security that ranks lower than other loans with regard to claims on assets or earnings. Subordinated debt is not repaid until after unsubordinated (senior) debt holders have been repaid in full and is consequently a riskier form of debt loan.
Unlisted Infrastructure Fund	A vehicle, usually with a limited partnership-type structure, that is closed ended and not listed on a stock market. The fund invests in infrastructure assets and may also invest in infrastructure-related companies.
Unsubordinated Debt	Also known as a senior security/loan. Unsubordinated debt is ranked higher than other loans with regard to claims on assets or earnings. Unsubordinated debt is repaid in full before subordinated debt holders and is consequently a less risky form of debt loan.

Definitions:

Infrastructure Terms

Deals

TERM	DEFINITION
Deal Date	The date the transaction was fully finalized and completed, or alternatively the date the transaction was agreed and announced, but is subject to regulatory filings and customary closing conditions before completion.
Bid	The buyers have submitted a bid for the company, and are awaiting a response from the company.
Bid - Failed	The transaction has been terminated before completion or the offer was rejected by the seller.
Investment	The transaction involves a fund manager purchasing a stake in an infrastructure asset.
Sale	The transaction involves a fund manager selling a stake in an infrastructure asset.
Industry Type - Diversified	A company that manages/develops infrastructure assets in more than one infrastructure industry.
Total Deal Size	The size of the transaction, including leverage.
Total Equity Invested	The aggregate amount of equity involved in the transaction.
Total Transactional Debt	The aggregate amount of leverage involved in the transaction.
Total Assumed Debt	The asset's pre-existing debt obligations taken on by the investor(s).
Total Stake	The aggregate total equity stake acquired by the investor(s) in the transaction.
Debt Provider	A bank or firm that has provided financing commitments and leverage for the transaction.
Legal Advisor	A firm that has provided legal advice to the parties involved in the transaction.
Financial Advisor	A firm that has provided investment advice, analysis or due diligence to the parties involved in the transaction.

Definitions:

Hedge Fund Terms

Fund Structure

TERM	DEFINITION
Fund Type	
Commingled Fund	An investment structure which pools investments from multiple external investors into one account managed or advised by the fund manager. Investors share in the assets of this fund.
Listed Fund	A fund which is listed on a market exchange such as the Irish Stock Exchange, usually in order to provide a degree of regulatory oversight demanded by investors.
Managed Account	A vehicle sub-advised by a hedge fund manager whose role is limited to the right to make investment decisions on behalf of an investor. Investors own actual assets as opposed to limited partnership interests in a pool of assets. They also have full transparency of the assets being managed and may tailor the portfolio according to their specific needs. Due to the operational and logistical difficulties of this arrangement for the manager, a sizeable capital commitment is required from investors in order to open a managed account.
UCITS	Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle which allows it to be marketed to investors across the EU. It aims to promote high levels of investor protection through greater transparency of investment activity.

Fund Structures

Master Feeder	Structure which is commonly used to accumulate funds raised from each of US taxable, US tax-exempt and non-US investors into one central master fund. This is in order to enhance the critical mass of tradable assets, improve the economies of scale under which the fund operates and enhance operational efficiencies, thereby reducing costs such as tax. The structure generally involves the use of a master fund company (incorporated in a tax-neutral offshore jurisdiction such as the Cayman Islands or Bermuda) into which separate distinct feeder funds invest.
Domestic Feeder	An onshore-domiciled feeder fund designed to give a tax effective fund for investors based in that onshore domicile location.
Offshore Feeder	An offshore-domiciled feeder fund designed for non-U.S. and U.S. tax-exempt investors that wish to subscribe via a separate offshore feeder company.
Side by Side - Domestic	In a Side-by-Side - Domestic structure the fund runs parallel to an offshore structure which follows the same strategy as the domestic fund.
Side by Side - Offshore	In a Side-by-Side - Offshore structure the fund runs parallel to an onshore structure which follows the same strategy as the offshore fund.
Standalone - Domestic	A domestic partnership which invests without "feeding" into or investing alongside another vehicle.
Standalone - Offshore	An offshore vehicle which invests without "feeding" into or investing alongside another vehicle.

Legal Structures

OEIC	Open-Ended Investment Company. A fund structured to invest in other companies with the ability to constantly adjust its investment criteria and fund size.
SICAV	Société d'Investissement à Capital Variable. A SICAV is a fund structure that is common throughout Western Europe especially Luxembourg, Switzerland, Italy, Spain, Belgium and France. SICAVs are typically open-ended, but may also be closed-ended.
FCP	Fonds Commun de Placement. A contractual undertaking for collective investment based on the legal investment structures in Luxembourg.
QIF	Qualifying Investor Fund. A regulated vehicle aimed at Irish Investors which allows the use of leverage and the holding of derivative products. This is a flexible vehicle which can quickly be brought to market.

Definitions:

Hedge Fund Terms

Fund Terms

TERM	DEFINITION
Management Fee	An annual fee charged by the manager to investors to cover the costs and expenses of a hedge fund.
Performance Fee	Fee charged to the investor to reward positive returns of the fund. Also known as an "incentive fee".
Hurdle Rate	Mechanism which ensures that performance fees are only levied after a performance target or rate has been met. Typical hurdle rates are either a fixed or variable rate linked to specific benchmarks.
High Water Mark	Mechanism which addresses the problem of managers being rewarded for negative performance. The high watermark ensures that performance fees are based on the net new profits for each investor on an annual basis and that a manager does not collect a performance fee until previous losses have been recouped at which time the high watermark resets.

Lock up Period

Hard Lock up	A period of time in which investors are not permitted to redeem their investment in the fund.
Soft Lock up	A period of time in which investors may withdraw their investment subject to a redemption fee (see "Redemption Fees")
Rolling Lock up	A provision allowing investors to redeem capital on their designated redemption date but which enforces an additional lock-up period for investors in the event that they forfeit their right to redeem.

Gating Provision

Fund-level	Provision to limit the amount of capital that can be redeemed from the fund at any one time.
Investor-level	Provision to limit the amount of capital that can be redeemed from the fund at any one time.
Hybrid	Provision to limit the amount of capital that can be redeemed from the fund at any one time. Gate imposed at the investor-level and fund-level.
Gate percentage	Percentage or proportion of fund/investor's capital which can be redeemed from the fund at any one time.

Liquidity Terms

Subscription Frequency	Determines how often a new investor can invest in a hedge fund.
Redemption Frequency	Determines how often an investor can redeem capital from a hedge fund.
Redemption Notice Period	Determines the amount of notice required from investors wishing to redeem their capital from the fund.
Redemption Fees	The fee charged by the fund to investors redeeming their capital earlier than their designated redemption date.
Leverage	Borrowed money which amplifies the risk/return profile of an investment and in turn amplifies any subsequent gains and losses.
Maximum Leverage Employed	The maximum amount of leverage a fund manager is willing to use in order to generate the returns it seeks.

Investment Methodology

TERM	DEFINITION
Analysis Approach	
Bottom-up	Polar opposite approach to "top-down" investing. Here, the emphasis is firmly on the individual company in the belief that individual companies can thrive in spite of the non-performing industry it is in. This approach focuses on thorough due diligence and research on the target company.
Top-down	Approach which focuses on the industry as a whole in which targeted stocks are based. This approach puts emphasis on the significance of economic and market cycles on the value of stocks, thereby assuming that the industry must be performing for an individual company or stock in that industry to do the same.

Definitions:

Hedge Fund Terms

Methods of Investment

Debt	The amount of money borrowed by one party from another and on which a fixed rate of interest (coupon) is paid at a later date (maturity).
Derivative Markets	A security whose price is dependent on or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indices. Most derivatives are characterized by high leverage.
Forward Contracts	Contract stipulating an agreement between two parties for the agreed delivery and time for a security to be exchanged. The quantity and price of the asset to be delivered in the future is specified.
Futures Contracts	Contract between two parties used to take advantage of market price movements. The buyer of the futures contract agrees on a fixed purchase price to buy the underlying commodity from the seller at the expiration of the contract. The seller of the futures contract agrees to sell the underlying commodity to the buyer at expiration and at the fixed sales price. As time passes, the contract's price changes relative to the fixed price at which the trade was initiated. This creates profits or losses for the trader.
Options	Gives an investor the right but not the obligation to buy an asset at a specific price and at a specific date or time.
Swaps	The exchange of one security for another between firms/traders for various reasons such as a change in investment objectives and the quality or maturity of the assets.
Swaptions	An option entitling the owner to the the right but not the obligation to enter into a swap agreement.
Warrants	A security that entitles the holder to purchase the stock of the issuing company at a fixed exercise price until the expiry date.
Equities	Stocks or other types of security which represent an ownership interest.
Commodities	Raw materials and/or primary agricultural products such as grains, meats, orange juice that can be bought and sold on a Commodities Exchange.
Currency	Hedge funds that invest in currencies can implement a number of different strategies such as currency trading, currency options and derivatives.
ETFs	A basket of securities that trades an index but which can also be traded like a stock on a market exchange.
PIPEs	Private Investment in Public Equity. An investment into a public company which remains public post-investment.
Activist	Funds that generally buy a large enough part of the company to be able to actively participate in the management and decision making, sometimes to catalyze change.

Trading Methodology

Discretionary	A human system used to trade instruments and which is characterized by proprietary approaches employing technical and/or fundamental analysis in a specific combination.
Systematic	A computerized system using proprietary computer models to generate buy and sell decisions. The models utilize quantitative analysis of different technical factors.

Benchmark Indices

TERM	DEFINITION
LIBOR	London Interbank Offered Rate. The most commonly used benchmark for short-term interest rates. The LIBOR is fixed on a daily basis by the British Bankers' Association.
MSCI	An index created by Morgan Stanley Capital International (MSCI) that is designed to measure equity market performances.
Russell 3000	Market capitalization-weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire US market. This index encompasses the 3,000 largest US-traded stocks.
T-Bill	Treasury Bill. A short-term debt obligation backed by the US government with a maturity of less than one year. For example, 90-day T-Bills are common.
Wilshire 5000	A market capitalization-weighted index composed of over 5,000 publicly-traded companies that meet the following criteria: The companies are headquartered in the US; the stocks are actively traded on an American stock exchange; the stocks have pricing information that is widely available to the public.

Definitions: Hedge Fund Terms

Other

TERM	DEFINITION
Emerging manager	An emerging manager is one with less than a two-year track record
Seed capital	The initial capital used to start a hedge fund.
Spin-offs	A fund managed by a team that has left or been demerged from an established firm.

Definitions:

Hedge Fund Terms

TERM	DEFINITION
Long/Short	
130/30	A 130-30 ratio implies shorting stocks up to 30% of the portfolio value and then using the funds to take a long position in the stocks the investor feels will outperform the market.
Directional	A fund strategy used by investors that open positions, either long or short, in the belief that they are able to correctly predict the movement of price in a security.
Long Bias	A strategy which is biased towards buying and holding securities such as a stock, commodity or currency, with the expectation that the assets will rise in value.
Long/Short Credit	Takes long and short positions in credit instruments such as investment grade, high yield, convertible or distressed debt in order to take advantage of opportunities in these asset classes. Views based on credit analysis of issuers and securities.
Long/Short Equity	Buying undervalued stocks and selling short overvalued stocks.
Short Bias	A strategy which is biased towards the act of borrowing stock to sell high today with the expectation of buying it back at a lower price in the future and then returning the stock to the lender.
Value-Oriented	Invests in securities perceived to be selling at deep discounts to their intrinsic or potential worth. Such securities may be out of favour or underfollowed by analysts. Long-term holding, patience, and strong discipline are often required until the ultimate value is recognized by the market.
Variable Bias	Fund which is able to take on elements of long and short bias.
Event Driven Strategies	
Distressed	A strategy that buys deeply discounted equity, debt or trade claims of companies in or facing bankruptcy or reorganization.
Event Driven	A strategy that seeks to exploit pricing inefficiencies preceding or following corporate events such as bad news, distressed situations, mergers & acquisitions, recapitalizations, or spin-offs.
Opportunistic	Investment theme changes from strategy to strategy as opportunities arise to profit from events such as IPOs, sudden price changes often caused by interim earnings disappointment, hostile bids, and other event driven opportunities.
Risk/Merger Arbitrage	A form of arbitrage which involves the simultaneous purchase of shares in one company and the short sale of assets in another. This strategy is typically used in expectation of a pending announcement of a company take-over.
Special Situations	An investment strategy that invests in event driven situations such as mergers & acquisitions, hostile takeovers, reorganizations, or leverage buyouts.
Relative Value	
Capital Structure Arbitrage	Funds that attempt to exploit the pricing inefficiency that exists in the capital structure of the same firm.
Convertible Arbitrage	Funds that attempt to exploit profits when there is a pricing error made in the conversion factor of the convertible security.
Equity Market Neutral	A strategy that seeks to exploit differences in stock prices by being long and short in stocks within the same sector, industry, market capitalization, country etc. This strategy creates a hedge against market factors.
Fixed Income Arbitrage	An investment strategy that consists in the discovery and exploitation of inefficiencies in the pricing of bonds, i.e. instruments from either public or private issuers yielding a contractually fixed stream of income.
Relative Value Arbitrage	Relative value strategies generate profits by capturing the spread between two closely related securities. For example, an investor can buy relatively undervalued off-the-run US Treasury Bills and simultaneously short relatively overvalued on-the-run US Treasury Bills with the same duration.
Statistical Arbitrage	Mathematical modelling techniques are used to identify pricing inefficiencies between securities in order to make a profit.
Macro Strategies	
Commodities	Fund focused on investments in raw materials and/or primary agricultural products such as grains, meats, and orange juice that can be bought and sold on a Commodities Exchange.
Fixed Income	An approach in which the manager invests primarily in bonds (also annuities or preferred stock) which come with a fixed rate of interest (coupon) payable to the bondholder at maturity. Such funds are often highly leveraged.
Foreign Exchange	Funds that trade currencies on the foreign exchange market.

Definitions:

Hedge Fund Terms

Macro	Aims to profit from changes in global economies, typically brought about by shifts in government policy that impact interest rates, in turn affecting currency, stock and bond markets. Participates in all major markets - equities, bonds, currencies and commodities - though not always at the same time.
Managed Futures/CTA	Commodity Trading Advisors (CTAs) look after managed futures accounts, deciding on their positions based on expected profit potential. This will incorporate buying and selling commodity futures or futures options. Managed futures offer the potential for reduced portfolio volatility and the ability to earn profit in any economic environment.

Multi-Strategy

Diversified	For a fund of hedge funds this implies that the fund is not constrained by the strategy of the underlying hedge funds with which they are invested. They have the ability to invest across all hedge fund strategies.
Multi-Strategy	A single fund that has an investment strategy combining several different hedge fund strategies.

Misc.

Asset-Backed Lending Strategies	A type of financing in which the asset being bought is used as collateral. In asset-based lending, the quality of the collateral and not the financial strength of the borrower is of prime importance.
Emerging Markets Fund	A fund that invests in equity or debt of emerging markets that tend to have higher inflation and volatile growth.
Hybrid fund of funds	A fund that invests in a mixture of external alternative asset funds.
Insurance-Linked Strategies	Strategy linked to different forms of underlying insurance-related risk such as life/longevity products, natural catastrophies and industry loss etc. This strategy offers little to no correlation to the capital markets.
Momentum	Strategy favouring the continued acceleration in a security's price, either in an upward or downward direction, and speculating that this momentum will carry on for the short term.
Mortgage-Backed Strategies	Trading securities that are secured by a mortgage or a collection of mortgages.
Natural Resources Fund	A fund that invests in natural resources, such as water, timber, oil and gas.
Niche	A fund concentrating on a specific, small market niche. For example, the healthcare industry.
Real Estate	A fund investing in the real estate market - can include investment in several types of real estate including housing, hotels and commercial property.
Sector-Focused	A fund that invests solely in businesses that operate in a particular industry or sector of the economy.
Specialist Credit	A fund that focuses purely on credit investment and employs a number of credit strategies.

Definitions:

Hedge Fund Terms

CTAs

TERM	DEFINITION
CTA Type	
Single Strategy	A Commodity Trading Advisor (CTA) focused on one strategy, usually one of arbitrage, counter trend, macro, option writing, pattern recognition or trend following.
Multiple Strategy	CTA which opts for at least two of arbitrage, counter trend, macro, option writing, pattern recognition or trend following strategies.

CTA Strategy Preferences

Arbitrage	Objective is to capitalize on the price difference between similar stocks trading on different markets. The price discrepancies are spotted by the manager who is exposed to some risk in the form of price fluctuations and the devaluation of a currency or derivative.
Counter Trend	Trading strategy in which investors buy or sell counter to the direction of the market. It looks to pick the top or bottom of the market using technical analysis and quick decision making.
Macro	Aims to profit from changes in global economies, typically brought about by shifts in government policy that impact interest rates, in turn affecting currency, stock and bond markets. Participates in all major markets - equities, bonds, currencies and commodities - though not always at the same time.
Option Writing	Strategy which involves the collection of premium in return for offering risk insurance to other market participants.
Pattern Recognition	Technique used to forecast price moves based on the identification of trading patterns or technical indicators such as flags and channels.
Trend Following	Traders capture price trends by following a visual chart strategy utilizing small stops with a 2:1 ratio of reward to risk. Trend followers profit from directional moves that reflect informational gaps, changes in sentiment, and supply and demand imbalances in markets.

Definitions:

Hedge Fund Terms

TERM	DEFINITION/EXPLANATION
Annualized Performance	Annualized returns express a fund's rate of return on an annual basis, or a return per year, over a given time period. This is calculated as a geometric mean of the reported monthly returns (M) for the given time period in the following manner: $((1 + M1) \times (1 + M2) \times \dots (1 + Mn) ^{12/n}) - 1$. The annualized performance represents the rate of return that, if compounded each year, would produce the cumulative return for the same period. It is a measure that describes the change in a fund's net asset value as if it grew or declined at the same rate each year during the period. The annualized performance is typically measured over trailing periods greater than 12 months, such as three years, five years or 10 years. It is also commonly measured for the entire period since a fund's inception.
Average Month	The average (mean) of a fund's individual monthly returns. The average positive month provides an average of all months in which a return of zero or greater has been recorded. The average negative month is an average of all months in which a loss has been recorded.
Best Month, Worst Month	The best month represents the highest net return achieved by the fund in a single month. The worst month represents the lowest net return achieved by the fund in a single month.
Constituent Funds	A list of all the funds that contribute to the benchmark return. To avoid benchmarks being weighted by a single fund, only one share class per fund can appear in any one benchmark, and only one fund or share class per master-feeder structure can appear in any one benchmark. Consequently, constituent fund lists are smaller than the number of funds for which returns are available for a particular period. Contributing funds and share classes are chosen based on set criteria, with those with the longest track record prioritized.
Cumulative Performance	The aggregate percentage increase or decrease in a fund's net asset value over a given period of time. This is calculated by geometrically linking the reported monthly returns (M) for the given time period in the following manner: $(1 + M1) \times (1 + M2) \times \dots (1 + Mn) - 1$. The cumulative performance is typically measured over trailing periods such as the last three months, one year, three years or five years. It is also commonly measured for individual years, the current calendar year (year to date) and the entire period since a fund's inception.
Distribution of Monthly Returns	An overview of the frequency distribution of a fund's monthly returns. This provides an insight into the number of a fund's monthly returns that are close to the average return and the number that are extreme values (outliers).
Downside Deviation	Unlike standard deviation, this risk measure only takes account of returns that fall below a defined minimum acceptable return (MAR). The excess returns for each month (or other period) are calculated and those that are positive are taken as zero values. The sum of the squares of the negative excess returns is taken. The downside deviation is then the square root of the mean (sum of squares divided number of returns).
Drawdown Length	The number of months between a fund's highest net asset value and its lowest net asset value (before recovering to its previous peak level).
Drawdown Period	A period in which the fund is considered to be in drawdown, which means the fund's net asset value has declined from a previous peak (highest level). The drawdown period ends when the fund's net asset value reaches its lowest point (before recovering to its previous peak). The lowest net asset value, and therefore the drawdown period, can only be determined once the fund has fully recovered to its previous peak net asset value.
Drawdown Size	The percentage loss that a fund incurs from its peak net asset value to its lowest net asset value (before recovering to its previous peak level).
Excess Return	This is calculated by subtracting a predetermined rate of return (such as a risk-free rate, minimum acceptable return or benchmark return) from the net return of a fund over a specified period. It is used in the calculation of statistics such as the Sharpe and Sortino ratios and provides an indication of the degree to which the fund has been successful at adding value or meeting a hurdle rate.
Investment Growth/ VAMI	The growth of a hypothetical \$1,000 investment in a fund. The value-added monthly index (VAMI) is calculated as follows: $\text{previous VAMI} \times (1 + \text{current return})$. It can be taken as a proxy for a fund's NAV to calculate other statistics, such as a fund's drawdowns.
Kurtosis	A measure of the peakedness or flatness of a fund's returns distribution, relative to a normal distribution. Positive kurtosis indicates a peaked distribution, with returns close to the mean and higher frequency of outliers (in the shape of very high returns or significant losses). Negative kurtosis indicates a flatter distribution, with frequent and moderate deviations from the mean. The kurtosis measure used is adjusted to give excess kurtosis, which represents the level of kurtosis in relation to a normal distribution. A normal distribution is an important assumption of statistics such as the Sharpe ratio.
League Tables (Performance)	Rankings of funds based on their performance over various time periods. League tables are updated daily and provide an overview of the top performing hedge funds, funds of hedge funds and CTAs by monthly return, returns in the year to date, returns over 12 months, three years and since inception, and by Sharpe ratio.

Definitions:

Hedge Fund Terms

TERM	DEFINITION/EXPLANATION
Market Benchmarks	The benchmarks provide an indication of industry and sub-sector performance in individual months and over longer periods. Funds are grouped based on their type (hedge funds, funds of hedge funds, CTAs, UCITS hedge funds), key strategy (long/short, event driven, relative value, macro, multi-strategy), sub-strategies, geographic scope and currency denomination. Benchmark returns comprise unweighted averages of constituent fund returns.
Minimum Acceptable Return (MAR)	Used in the calculation of the excess return in the Sortino ratio, and in the calculation of downside and upside deviation. It is typically set according to the individual investor's goals and can reflect the risk-free rate, the return of another benchmark, zero or some other target.
Monthly Returns (Net, %)	The percentage change in the fund's month-end net asset value from the previous month-end net asset value, after fees have been deducted. Net-of-fees returns are used to provide an indication of fund performance from the perspective of investors.
NAV per Unit	The net asset value per share of a fund. This represents the market value of a fund's total net assets (total assets minus liabilities) divided by the number of shares outstanding. In many, but not all, cases this is the unit price or share price for new and existing investors in a fund.
Negative Months	The number of months that the fund has posted a net return that is less than zero. This represents the number of months that the fund has seen its net asset value decline. It is also reported as a proportion of all monthly returns.
Performance Date/As At Date	The date to which the performance statistic is measured. This reflects the last, or most recent, monthly return used in the calculation.
Positive Months	The number of months that the fund has posted a net return that is greater than or equal to zero. This is also reported as a proportion of all monthly returns.
Recovery Length	The number of months between a fund's lowest net asset value and its new peak (or recovery of its previous peak) net asset value.
Risk-Free Rate (RFR)	The theoretical return of an investment with no risk. This is subtracted from a fund's actual returns to generate the excess return. It is factored into statistics such as the Sharpe ratio to account for the assumption that any investment with a degree of risk attached should deliver greater returns than the risk-free rate.
Sharpe Ratio	Provides an indication of a fund's returns relative to its level of risk. The ratio is calculated by first subtracting a pre-determined risk-free rate from the annualized period return to generate the fund's excess return. This is then divided by the fund's volatility for the same period. According to this measure, more volatile returns are not necessarily bad, provided they are accompanied by a proportionally higher return. In general, the higher the Sharpe ratio, the better the risk/reward characteristics of a fund. The exception to this is a negative Sharpe ratio. In cases where the excess return (the numerator in the equation) is negative, a higher amount of risk will have a positive influence on the ratio. Therefore, negative Sharpe ratios are difficult to interpret. It should be enough to know that a Sharpe ratio is negative, without knowing its magnitude, as this indicates the fund has not generated additional returns by taking on extra risk. The Sharpe ratio is typically measured over trailing periods such as the last year, three years, five years or since inception. It is also available as one-, two-, three- and five-year rolling periods to show how the risk-return profile of a fund's monthly returns has changed over time.
Since Inception	The cumulative return of a fund since it began trading.
Skew	The skewness of a fund's returns provides an indication of whether or not the returns are normally distributed. It is a measure of the asymmetry of a distribution about the mean return. A positively skewed distribution is characterized by many low returns or losses and a few large returns. It is said to have a long right tail. A negatively skewed distribution is characterized by many high returns and a few low returns or losses. It is said to have a long left tail. A normal distribution is an important assumption of statistics such as the Sharpe ratio.
Sortino Ratio	Provides an indication of a fund's returns relative to its level of downside risk. It is similar to the Sharpe ratio but the Sharpe ratio can be negatively effected by volatility on the upside (positive returns), as well as on the downside. In contrast, the Sortino ratio assumes that investors are tolerant of volatile returns if gains are being made. A fund's excess return (annualized return minus a pre-determined minimum acceptable return) is divided by its downside deviation below the minimum acceptable return. The Sortino ratio is typically measured over trailing periods such as the last year, three years, five years or since inception.
Upside Deviation	This measure only takes account of returns that fall above a defined minimum acceptable return (MAR). Calculated in the same manner as downside deviation except negative excess returns are ignored (taken as zero values).
Volatility	Measured by the annualized standard deviation of monthly returns during the specified period. An annualized figure is approximated by multiplying the standard deviation of monthly returns by the square root of 12 (for the number of periods in a year). Volatility is typically measured over trailing periods such as the last year, three years, five years or since inception. It is also available as one-, two-, three- and five-year rolling periods to show how the volatility of a fund's monthly returns has changed over time.
Year To Date	The cumulative return of a fund during the calendar year.

Definitions:

Private Debt Terms

TERM	DEFINITION/EXPLANATION
Arranger	One or several commercial or investment bank/s which structures, arranges and administers a syndicated loan.
Bi-Lateral	Involving a single lender and a single borrower.
Bookrunner	Main underwriter or manager in a new issuance of a debt security.
Bridge Loan	A short-term loan providing immediate cash flow that is used until a company secures permanent financing. Loans are typically short-term, relatively high interest and backed by collateral.
Bullet Loan	Loan requiring a balloon payment at the end of the term. This arrangement anticipates a refinancing of the loan to meet payment obligation.
CLO (Collateralized Loan Obligation)	A security backed by a pool of debt, which includes several levels of credit ratings and repayment structures.
Covenant	An indenture in a formal debt agreement for certain activities to be carried or not carried out.
Covenant-Lite or Cov-Lite	A loan with limited restrictions on the debt-service capabilities of the borrower, including fewer restrictions on collateral and payment terms than traditional covenants.
Debenture	Debt instrument backed exclusively by the creditworthiness and reputation of the issuer, generally issued by governments and corporations.
Direct Lending	The practice of non-bank lenders extending loans to small and medium businesses in return for debt securities rather than equity.
Distressed Debt	Debt of companies that have filed for bankruptcy or have a significant chance of filing for bankruptcy in the near future.
EBITDA	"Earnings before Interest, Taxes, Depreciation, and Amortization". Usually where cash flow for debt repayment is sourced.
First Lien	Primary rights of a creditor to sell the collateral property of a borrower who fails to meet the obligations of a loan contract.
Fixed Rate	A predetermined rate for either the entire or part of a loan term.
Floating Rate	A variable interest rate that moves with market factors or an index. Opposite of a fixed rate.
Leverage	Using a significant amount of borrowed money to finance the acquisition of an asset or company.
Leverage Ratio	Any ratio used to measure the ability of a company to meet financial obligations; main factors likely include debt, equity, assets and interest expenses.
Mezzanine	Investments in debt subordinate to the primary debt issuance and senior to equity positions.
Mid-Market Lending	A form of direct lending typically to smaller and more leveraged companies than traditional direct lending.
Non-Bank Lender	Also referred to as "shadow bankers," any entity engaging in loan activity and not classified as a banking institution. Examples are private equity firms, specialty finance companies and hedge funds.
Non-Performing Loans (NPLs)	A loan that is in default or is close to being in default.
Non-Sponsored	A direct loan transaction between a lender and borrower without involvement of a private equity sponsor.
Notes	Certificates evidencing the amount owed by the private placement borrower to the investor. Transferrable on completion of a certificate sent to the borrower.
PIK (Payment in Kind)	Arrangement that pays interest or dividends to investors of bonds, notes or preferred stock with additional debt or equity instead of cash.
Preferred Equity	Senior equity on the capital structure over common or subordinate classes.
Private Debt	Non-listed debt issues. May take the form of bonds, notes or loans. Includes all non-bank lending.
Primary Loan	Loan made directly to a borrower/company.
Refinance	Revising or replacing an older loan with new debt offering more favourable terms for the borrower.
Revolving Credit	A line of credit allowing the borrower to use funds when they are needed, depending on cash flow needs.
Royalty Backed Lending	An alternative loan to be repaid using a percentage of the borrowing business's revenue, traditionally found in industries such as mining, film production and drug development.
Second Lien	Debts that are subordinate to the rights of other, more senior debts issued against the same collateral.
Secondary Loan	A loan sold on a secondary market.
Secured Loan	A loan backed by the borrower's assets, typically real estate, equipment or cash flows.

Definitions:

Private Debt Terms

TERM	DEFINITION/EXPLANATION
Senior Debt	Highest on the capital structure, a loan to be repaid first if borrowing business failed.
Senior Stretch	A type of loan to a business which includes characteristics of both asset-based and cash-flow loans. Senior stretch loans are cheaper than cash-flow loans as the borrowing company has a healthy balance sheet.
Special Purpose Vehicle (SPV)	A company which has activities limited to buying and financing certain assets by issuing bonds to investors.
Special Situation	Classification covering several areas including distressed and mezzanine, where loan decision or grade is defined by something other than underlying company fundamentals.
Sponsored	A deal involving a third-party purchase of a company, typically a private equity firm.
Syndicated	A loan offered by a group of lenders who work together to provide funds to a single borrower.
Term Loan	Bank loan for a specific amount that has a pre-determined repayment schedule as well as a floating interest rate.
Term Loan B	A subprime loan to a borrower with credit graded "B" according to credit history.
Term Loan C	A subprime loan to a borrower with credit graded "C" according to credit history.
Unitranche	A type of debt combining senior and subordinated debt into one instrument. This instrument was created to simplify debt structure.
Unsecured	A loan not backed by collateral or assets.
Venture Debt	Debt provided to venture capital-backed companies by a specialized financier to fund working capital or expenses. Venture debt providers combine their loans with warrants or rights to purchase equity to compensate for risk.
Warrant	A derivative security that entitles the holder to purchase the stock of the issuing company at a fixed exercise price until the expiry date.

Definitions:

Natural Resources Terms

TERM	DEFINITION/EXPLANATION
Commodity Preference	The underlying natural resource which the fund seeks to cultivate or extract. For example, an energy fund may focus on investments in oil, natural gas, uranium, coal or renewable energy.
Leverage	Borrowed money which amplifies the risk/return profile of an investment and in turn amplifies any subsequent gains and losses.
Maximum Leverage Employed	The maximum amount of leverage a fund manager is willing to use in order to generate the returns it seeks.
Master Limited Partnership (MLP)	A type of limited partnership that is publicly traded on an exchange. master limited partnerships (MLPs) combine the tax pass-through benefits of a limited partnership with the liquidity of a publicly traded vehicle. In order to qualify as an MLP the partnership must earn at least 90% of its income from qualified sources such as natural resources, commodities or real estate. Qualifying natural resources include: oil, gas, coal and timber.
Primary - Debt	A fund's preference for direct investment in the debt securities of portfolio companies, as opposed to equity securities or investments through other natural resources funds.
Primary - Equity	A fund's preference for direct investment in the equity securities of portfolio companies, as opposed to debt securities or investments through other natural resources funds.
Process/Stage Preference	The stage of the extraction/cultivation process which the fund focuses on. For example an energy fund may specialize in upstream, midstream or downstream energy investments and a mining fund may focus on investments in companies which directly extract minerals or those that refine them.
Project/Asset Stage Preference	The stage of a natural resources project at which the natural resources fund seeks to invest. For example, funds may focus on investments in projects which are already established or come in at an earlier stage such as the initial construction or development stage.
Route to Market	An investor's preferred method for investing in natural resources. Investors may have preferences for investing in unlisted or listed natural resources funds, or for investing directly in the asset class.
Source of Natural Resources Allocation	The specific segment of their portfolio from which investors allocate to natural resources. Natural resources investors may have a separate allocation or may be considered part of an investor's other allocation such as private equity, real assets or infrastructure.
Source of Capital	Specifies the range of methods that a fund manager uses to raise capital to make investments. Fund managers can raise capital from listed or unlisted natural resources funds, separate accounts, their own balance sheet or can raise capital from investors on a deal-by-deal basis.
Strategy Allocation	The proportion of a fund's capital dedicated to primary investments in equity and debt, fund of funds investments or secondary investments.

Types of Natural Resources Investment

TERM	DEFINITION/EXPLANATION
Closed-End Fund	A fund with a fixed life span that typically does not allow redemptions or the entry of additional investors after the initial formation of the fund. Closed-end funds typically acquire a portfolio of assets during an initial investment period and do not invest the sales proceeds.
Direct Investments	Direct holdings of natural resources companies or assets which are not made through a fund structure.
Listed Fund	A fund which is publicly traded on a stock exchange and invests in natural resources assets or companies. This includes master limited partnerships (MLPs).
Open-Ended Fund	A fund with no finite life that allows continuous entry and exit of investors and typically engages in ongoing investment purchase and sale activities.
Unlisted Fund	A fund which is closed-end and not listed on a stock market.

Natural Resources Strategy

Agriculture/Farmland

TERM	DEFINITION
AgTech	Economic sector focused on the use of technology to improve current agricultural practices, either to increase productivity or reduce environmental and social costs.
Annual/Row	A crop that can be planted in rows wide enough to allow it to be tilled or otherwise cultivated by agricultural machinery. Row crops are most commonly annuals, crops that complete their lifecycle in one year and must be replanted, or short-lived perennials grown as annuals. Includes wheat, corn, maize and barley.

Definitions:

Natural Resources Terms

Agriculture/Farmland

TERM	DEFINITION/EXPLANATION
Aquaculture	The production of fish, shellfish, crustaceans, seaweeds or algae in a managed environment, often enhancing production beyond that which would normally be achieved naturally.
Land Owner	Investment strategy based on owning agricultural land and leasing/renting this out to others. See Operator and Owner-Operator.
Livestock	Domestic or domesticated animals raised for food or in the production of food. For example beef and dairy cattle, poultry, sheep and swine.
Operator	Investment strategy based on carrying out agricultural activity without owning the underlying land, which is instead leased/rented from others. See Land Owner and Owner-Operator.
Owner-Operator	Investment strategy which involves both owning farmland and carrying out agricultural activity on that land. See Land Owner and Operator.
Perennial/Permanent	A crop produced from plants which lasts many seasons and can be harvested multiple times without needing to be replanted. Includes grapes, nuts and citrus fruits, among other crops.

Energy

Biomass	Biological matter used as a renewable energy source, including purpose-grown energy crops and the biodegradable proportion of industrial, municipal, agricultural and forestry residues.
Downstream	The final stage in energy industry operations. Includes all activities relating to the refinement and distribution of energy and any by-products. For example, refining crude oil and distributing the by-products (e.g. gasoline, natural gas liquids and diesel) down to the retail level. End customers for this distribution can include residential, industrial and agricultural entities.
Geothermal	An energy production method which uses hot water and steam from underground reservoirs to power turbine generators.
Hydroelectric	Electricity produced by the use of flowing water to power a turbine.
Midstream	Refers to the collection, processing, storage and transportation of energy. It is the middle stage of energy industry operations between the initial extraction/production of upstream energy and the final distribution of downstream energy.
Non-Renewables	Energy from a source which cannot be readily replaced by natural means on a level equal to its consumption, such as oil and natural gas.
Oil Field Services	Companies that assist oil and gas producers with their production activities. These companies manufacture, repair and maintain equipment used in oil and gas extraction and transport and provide additional services to the energy industry.
Renewables	Energy from a source which can be naturally replenished at a rate equal to that at which it is consumed, such as wind and solar power.
Upstream	Upstream operations involve the exploration, recovery, development and production of energy resources. Upstream firms will take the first steps to locate and search for new energy resources and, at a later stage, extract them.

Metals & Mining

Base Metals	Metals that oxidize, tarnish or corrode when exposed to air or moisture. They are more abundant in nature and therefore cheaper than precious metals. Examples include aluminium, copper, lead, nickel, tin and zinc.
Construction Minerals	Minerals used by the construction sector. Typical construction minerals are aggregates (sand, gravel and crushed natural stone), various brick clays, gypsum and natural stone.
Exploration	The process of searching for new mineral deposits which can be commercially mined.
Ferrous Metals	Metals containing iron, such as iron ore and steel.
Industrial Minerals	Non-metallic, non-fuel minerals used in a range of industrial applications including the manufacture of chemicals, glass, fertilisers and fillers in pharmaceuticals, plastics and paper. Examples of industrial minerals include salt, clays, limestone, silica sand, phosphate rock, talc and mica.
Non-Metallic Minerals	All commercially mined minerals which are not metals or fuel. Divided into construction minerals, industrial minerals and precious stones.
Platinum Group Metals (PGMs)	The platinum group metals are platinum, palladium, ruthenium, rhodium, osmium and iridium. Their production is very limited and they are used for a number of different industrial applications.

Definitions:

Natural Resources Terms

Metals & Mining

TERM	DEFINITION/EXPLANATION
Precious Metals	Precious metals are metals which are rare and/or considered to have high economic value such as gold, silver and the platinum group metals. Among other reasons, they are considered valuable because of their rarity, their use in industrial applications or as jewellery, and their possible use as a store of value.
Refining	The processing of mined products to reduce them to a pure state. For example, the processing of iron ore to extract iron.

Timberland

Hardwood	Wood from angiosperms (flowering plants), mainly deciduous trees and broad-leaf evergreen trees. Hardwoods all have enclosed nuts or seeds. Examples include cherry, mahogany, maple and oak.
Natural Forests	Naturally occurring large area of land covered with trees or other woody vegetation which is harvested for timber production.
Softwood	Wood from gymnosperm (seed-producing) trees – conifers, cone bearing seed plants. Examples include cedar, fir and pine.
Tree Farms	Trees planted and grown specifically for timber production – includes trees grown in plantations and nurseries.

Water

Water Industrials	Companies that provide products or services used by water utility companies. For example, pump, pipe and valve manufacturers, filtration and treatment companies and desalination plants.
Water Utilities	Companies that provide water and/or wastewater services consumed by the public or other businesses.

Debt Strategy

Bridge Loan	A short-term loan providing immediate cash flow that is used until a company secures permanent financing. Loans are typically short term, relatively high interest and backed by collateral.
Direct Lending	The practice of non-bank lenders extending loans to typically small and medium-sized businesses in return for debt securities rather than equity.
Distressed	Investments in the debt securities of companies that have filed for bankruptcy or have a significant chance of filing for bankruptcy in the near future.
High Yield	Investments in debt securities which are below investment grade. Such bonds typically pay higher yields than investment-grade government or corporate bonds to compensate for the perceived higher risk of default.
Mezzanine	Debts that incorporate equity-based options, such as warrants, with a lower priority debt, often used to finance acquisitions and buyouts.
Royalty-Backed Lending	A form of financing in which a fund provides capital in return for a share in the revenue generated by the extraction of a particular resource.