

The background features a dark grid with various financial terms in white and grey, such as 'STOCKS', 'BONDS', 'ASSETS', 'SAVINGS', 'OBLIGATION', 'DEBENTURE', 'INVESTMENT', 'CASH', 'STRATEGIES', 'RISKS', 'LIABILITIES', 'PORTFOLIO', 'DEPOSIT', 'INTEREST', 'BUSINESS', 'TRADE', 'CURRENCY', 'INTERNATIONAL', 'SAFETY', 'SECURITY', 'LIQUIDITY', 'DIVERSIFICATION', 'HEDGING', 'VOLATILITY', 'CORRELATION', 'BETA', 'ALPHA', 'RISK-ADJUSTED RETURN', 'SHARPE RATIO', 'CAPITAL GAINS', 'COMPOUND INTEREST', 'INFLATION', 'CREDIT SPREAD', 'DEFAULT RISK', 'Liquidity Risk', 'Market Risk', 'Systemic Risk', 'Idiosyncratic Risk', 'Opportunity Cost', 'Time Value of Money', 'Present Value', 'Future Value', 'Net Present Value', 'Internal Rate of Return', 'Payback Period', 'Break-Even Point', 'Sensitivity Analysis', 'Scenario Analysis', 'Monte Carlo Simulation', 'Value at Risk', 'Expected Shortfall', 'Credit Default Swap', 'Interest Rate Swap', 'Currency Swap', 'Commodity Swap', 'Energy Derivatives', 'Equity Derivatives', 'Fixed Income Derivatives', 'Structured Products', 'Synthetic CDOs', 'Collateralized Mortgage Obligations', 'Asset-Backed Securities', 'Municipal Bonds', 'Corporate Bonds', 'High-Yield Bonds', 'Convertible Bonds', 'Zero-Coupon Bonds', 'Treasury Bills', 'Treasury Notes', 'Treasury Bonds', 'Mortgage-Backed Securities', 'Commercial Mortgage-Backed Securities', 'Asset-Backed Securities', 'Collateralized Debt Obligations', 'Credit-Linked Notes', 'Credit-Linked Bonds', 'Credit-Linked Securities', 'Credit-Linked Instruments', 'Credit-Linked Products', 'Credit-Linked Structures', 'Credit-Linked Vehicles', 'Credit-Linked Funds', 'Credit-Linked Investments', 'Credit-Linked Portfolios', 'Credit-Linked Strategies', 'Credit-Linked Approaches', 'Credit-Linked Techniques', 'Credit-Linked Methods', 'Credit-Linked Procedures', 'Credit-Linked Processes', 'Credit-Linked Operations', 'Credit-Linked Activities', 'Credit-Linked Actions', 'Credit-Linked Initiatives', 'Credit-Linked Programs', 'Credit-Linked Projects', 'Credit-Linked Enterprises', 'Credit-Linked Organizations', 'Credit-Linked Institutions', 'Credit-Linked Entities', 'Credit-Linked Persons', 'Credit-Linked Roles', 'Credit-Linked Positions', 'Credit-Linked Titles', 'Credit-Linked Offices', 'Credit-Linked Departments', 'Credit-Linked Divisions', 'Credit-Linked Units', 'Credit-Linked Teams', 'Credit-Linked Groups', 'Credit-Linked Networks', 'Credit-Linked Communities', 'Credit-Linked Societies', 'Credit-Linked Cultures', 'Credit-Linked Values', 'Credit-Linked Beliefs', 'Credit-Linked Attitudes', 'Credit-Linked Behaviors', 'Credit-Linked Habits', 'Credit-Linked Traditions', 'Credit-Linked Customs', 'Credit-Linked Practices', 'Credit-Linked Rituals', 'Credit-Linked Ceremonies', 'Credit-Linked Celebrations', 'Credit-Linked Festivals', 'Credit-Linked Holidays', 'Credit-Linked Seasons', 'Credit-Linked Years', 'Credit-Linked Decades', 'Credit-Linked Centuries', 'Credit-Linked Millennia', 'Credit-Linked Eras', 'Credit-Linked Epochs', 'Credit-Linked Ages', 'Credit-Linked Eras', 'Credit-Linked Epochs', 'Credit-Linked Ages', 'Credit-Linked Eras', 'Credit-Linked Epochs', 'Credit-Linked Ages'.

Explaining Investment Jargon: 10 Terms You Should Know

Introduction

Deciding to invest means that you've successfully passed the first hurdle that separates the wheat from the chaff. However, the next step is often the one where even the most capable individuals fall.

Researching investment opportunities as a novice can provoke the feeling of being overwhelmed due to the vast amount of technical jargon that will permeate your due diligence.

However, choosing to let a few unfamiliar phrases dissuade you from flourishing financially is a worse decision than deciding not to invest in the first place.

So, let us put your mind at ease by explaining 10 of the most common terms that you will come across throughout your investment journey. Learn these, and there will be nothing standing in the way of you and a prosperous future.

1 Property Development Finance

After the Great Recession, banks became more reluctant and to lend money. Property developers were left to implement different and innovative methods to find funding for their projects.

This way, developers can gain their project's funding before construction. Most of the time, an investor is given a legal document outlining the terms and conditions, amount of interest to be remunerated and the duration of the investment.

This has become an increasingly significant sector because without development finance, many projects simply wouldn't get out of the ground. Therefore, investors can receive market-leading returns.

2 Diversification

This is the act of spreading your funds among several different assets to gain more financial security. It will protect you from losing all your profits during any major plummets caused by market fluctuation.

However, just having a lot of investments doesn't mean that you are diversified. For this, you have to be involved in several different types. Ideally, you should have your fingers in many pies such as stocks, bonds, real estate, international securities and cash.

3 Portfolio

A portfolio is a grouping of financial assets such as stocks, bonds, commodities, currencies and cash equivalents, as well as mutual, exchange-traded and closed funds. A portfolio can also consist of non-publicly tradable securities, like real estate, art, and private investments

Investors should construct an investment portfolio in accordance with their risk tolerance and investing objectives.

4 Charge

A charge against a property that is registered at HM Land Registry acts almost like a second mortgage against the building. This means the property can't be sold on without the charge being removed in the form of redemption. This provides investors with a high level of security and confidence.

5 Bonds

When you invest in a bond, you are essentially loaning money to a company or government. Provided that nothing negative happens, such as bankruptcy, you cash in the bond on the maturity date and gain some interest.



Capital Stack

The stack represents the different layers of financing sources that go into funding the purchase and improvement of a real estate project. Realistically, there is no limit to how many layers the capital stack can have, but the simplest analysis concentrates on the three most used types of capital. The senior debt, the mezzanine debt, and the equity capital

The issuers of senior debt, which are often bondholders or banks, are at the top of the stack and therefore have their redemptions prioritised because they usually supply around 60 per cent of the overall funding

Mezzanine debt is the middle layer which is made up of investors who supply the company with the residual amount of capital required to complete the project, gaining a charge on the property with Accumulate to securitise their funds.

Equity debt represents the money in which the developer puts up themselves.



SASS

A Small Self-Administered Scheme is a pension scheme normally set up by a limited company on a money purchase or "defined contribution" basis. They are primarily set up by private and family run businesses for the benefit of the owner directors and family employees.

A SSAS can be allowed to purchase commercial property as part of the investment portfolio which could mean a company could purchase premises through the SSAS and pay rent back to the pension fund.

8

Stocks

When you buy stock in a company, you're purchasing a small percentage of ownership. Generally, the better the company performs, the more your share of stock is worth. If the company doesn't do so well, your stock may be worth less.

9

Mutual Fund

This is essentially a money pot that has been culminated by several different investors and is then invested in assets. A mutual fund may hold hundreds of stocks, with the purpose of spreading the risk.

10

SIPP

A Self-Invested Personal Pension offers an individual complete control over their investment portfolio. An individual can make their own investment decisions from the full range of investments approved by HM Revenue and Customs.

Accumulate

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