

## Glossary

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**Accumulation Share:** a type of share where the income earned by the Fund is retained in the Fund

**Actively Managed:** where the fund manager uses their expertise to pick investments to achieve the fund's objectives

**Average credit rating:** a measure aggregating the credit ratings of a portfolio's securities into a single rating. Each security in a portfolio is given an 'index rating' which is a conservative average of the vendors: S&P, Fitch, Moody's, and Sovereign ratings. If any vendor is missing a rating for a given security, the lowest of the available ratings is taken. The average rating does not include securities with NR or NA ratings. The average fund and benchmark ratings do not include USD-rated cash securities or USD currency forwards.

**Beta:** an historical measure of volatility to measure how a fund moves versus its benchmark (i.e. an Index)

**Bond(s):** a loan, usually to a company or government, that pays interest

**Bond Index Futures:** a contract stating that the holder agrees to purchase a bond index at a particular price on a specified future date

**Broad Market Index:** The broad market index is shown for the purpose of non-financial/tracking comparator purposes. The broad market index has not been optimised for sustainability factors and includes securities which have been excluded from the reference benchmark.

**Circular revenue score:** Average weighted percentage of circular revenues from all holdings in the portfolio

**Percentage of circular revenues > 20%:** Percentage of AUM for which the companies have circular revenues exceeding 20%

**Circular revenues breakdown:** Percentage of Circular Revenues in overall portfolio derived from each of the four company profiles

**Percentage of circular revenue:** Percentage of AUM for which the companies have circular revenue

**Collective Investment Scheme:** a fund that more than one person contributes to with the aim of increasing the value of their investments or receiving income from a pooled investment. A fund manager will invest the pooled money into one or more types of asset, such as stocks, bonds or property

**Credit Rating:** an assessment of the credit risk of a company, government or other organisation. It seeks to measure how likely it is that the issuer of a bond will be able to continue to make interest payments and repay the money loaned to it

**Developed Markets:** countries with relatively high levels of personal income and established economies

**Duration:** a measure of how long it takes in years for an investor in a bond to recoup the price they paid for the bond from its interest payments. It provides an indication of how much bond prices are likely to change if and when interest rates change

**Emerging Markets (EM):** countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body

**Futures:** a financial contract obligating the buyer to purchase an asset (or the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price

**Growth:** the increase in the value of investments

**Government Bond or Gilt:** a loan to a national government in return for regular payments (known as the coupon) and a promise that the original investment (principal) is paid back at a specified date. Gilts are loans to the UK government

**Hedge Funds:** an investment fund that pools money from investors and invests in a variety of assets, often with complex investment strategies and risk management techniques

**Hedge or Hedging:** using derivative type investments as a way to reduce risk

**High yield bond:** a bond paying a higher level of interest but which has a lower credit rating than investment grade

**Income:** money generated by a fund, such as interest from a bond or a dividend from a share, which can be paid out to its investors or paid back into the fund and reinvested

**Income Share:** the type of Share where the income earned by the Fund is paid out to you

**Information Ratio:** a measure of the risk-adjusted return of a fund against its benchmark

**Investment Grade:** a credit rating that indicates the issuer of a bond has a relatively low risk of being unable to make interest payments and repay the money to it

**LIBOR + Spread (Incl. IRS):** Yields are calculated excluding forwards and including the effect of IRS. IRS yields use the coupon for the fixed leg and the relevant variable rate at the last reset date for the floating leg.

**Maturity:** the period of time left for a bond or gilt to remain outstanding before the original loan and any final interest is repaid to the lender

**Minimum credit rating:** uses minimum quality rating across S&P, Fitch and Moody's. The aggregate fund and benchmark rating does not include securities rated NR or NA.

**Net Asset Value (NAV):** the value of the scheme property of a fund less the liabilities of the fund. The NAV takes into account any swing pricing adjustment ("swung price") (if applicable).

**Ongoing Charges Figure:** a measure of what it costs to invest in a fund. It includes the fee paid to the ACD and other operating costs

**Price Earnings (P/E) Ratio:** the price paid for a share divided by the annual profit earned by the firm per share.

**Property-related securities:** shares of property companies that own, manage or develop property and Real Estate Investment Trusts (REITs), which are investment companies that own buildings and land

**Return(s):** the money made or lost on an investment

**Share(s):** an equally valued holding in a fund of a company, representing part ownership of that fund, (including larger denomination shares and smaller denomination shares)

**Sharpe ratio:** a measure for calculating risk-adjusted return, and this ratio has become the industry standard for such calculations

**Total Expense Ratio:** is based on expenses over a year. Such figure may vary from time to time.

**The Weighted Average Maturity (WAM):** of the fund is the average number of days to maturity calculated using the next coupon fixing date of floating rate notes, and the final legal maturity of all other instruments. The maximum WAM is 60 days.

**The Weighted Average Life (WAL):** of the fund is the average time to maturity calculated using the final legal maturity of all instruments, including floating rate notes. Thus, where the fund holds no floating rate instruments WAM and WAL will be the same.

**Volatility:** a measure of the size and frequency of changes in the value of an investment over a short space of time

**Yield:** the income from an investment, usually stated as a percentage of the value of the investment

**Yield to Maturity:** the total return anticipated on a bond if the bond is held until the end of its lifetime, excluding strategic currency hedges for Portfolio/Benchmark calculations. Number is shown in percentage

**Yield to Worst:** the lowest potential yield that can be received on a bond without the issuer actually defaulting, excluding strategic currency hedges for Portfolio/Benchmark calculations. Number is shown in percentage

**Running yield:** is the total return from current coupons of the portfolio and the yield impact from FX hedging of non-USD underlying to USD.

**Portfolio distribution yield:** is the total return from current coupons of the portfolio and the yield impact from FX hedging of non-USD underlying to USD, with the inclusion of the pull-to-par effect when bonds are repaid in the future.

**Carbon Intensity Figures:** Company carbon data, can often be “partially disclosed”, i.e. partial geographic coverage, or incomplete operational data. Trucost\* undertakes analysis and research to assess company reported results. The proprietary Trucost model enables an estimate of total emissions which relies on more than just reported financial data. Where securities are not covered by Trucost, HSBC assigns a proxy value based on the average intensity score of comparable companies.\*Trucost are a division of S&P Global; they assess risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors.

**The MSCI ESG Key Issue Score** is the numerical, weighted average of MSCI’s E, S, and G pillar scores. A higher number indicates a more favourable ESG profile in the view of MSCI. The weighted averages of the Key Issue Scores are aggregated and companies’ scores are normalized by their industries. After any overrides are factored in, each company’s Final Industry-Adjusted Score corresponds to a rating. For more information, see MSCI ESG Ratings Methodology @ <https://www.msci.com/esg-and-climate-methodologies>.

Weighted Average Carbon Intensity	Description	Carbon Intensity Description. Portfolio's exposure to carbon-intensive companies, expressed in tons CO <sub>2</sub> e/USD million revenue.
	Formula	$\sum_n^i \left( \frac{\text{current value of investment}_i}{\text{current portfolio value}} \times \frac{\text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{issuer's \$M revenue}_i} \right)$
	Methodology	Carbon Intensity Methodology: Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value), rather than the equity ownership approach. Gross values should be used.
		The carbon intensity calculation for government bonds has been revised to be in line with the draft Regulatory Technical Standards for SFDR. The methodology is now as follows: $\sum_n^i \left( \frac{\text{current value of investment}_i}{\text{current value of all investments (\$m)}} \times \frac{\text{The country's carbon emissions}_i}{\text{Gross Domestic Product}_i (\$m)} \right)$

