FSC Guidance Note No. 5.00

Industry Terms and Definitions

November 2005

(last reviewed March 2018)

Main features of this Guidance Note are:

- **The main objective of standardising industry terminology is to enable Investors to have a clearer understanding of financial Products and services when making investment decisions.**
- **To enable Fund Managers and consultants to interpret information in a like manner and produce statistics/material that is accurate and useful.**
- **To improve efficiency within organisations when developing Offer Documents.**
- **To include this dictionary on FSC's Web Site.**

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1 Title

1.1 This Guidance Note may be cited as FSC Guidance Note No. 5.00 'Industry Terms and Definitions'.

2 Guidance Note and Commentary

2.1 The guidelines set out in this Guidance Note are shown in bold print. Commentary is shown in normal print immediately after the guideline to which it relates, as an aid to interpretation of the guidelines.

3 Date of Issue

3.1 19 July 1999, updated April 2004, minor amendment in March 2018.

4 Effective Date

4.1 This Guidance Note should be applied in relation to an FSC Member's operations on or after 1 August 2000. Earlier application of this Guidance Note is permitted and encouraged.

5 Application

5.1 This Guidance Note should be applied by the Investment Manager when preparing the following material:

- **Product Disclosure Statements;**
- **Marketing Documentation;**
- **Educational material for the public and Financial Planners; and**
- **Industry surveys**

6 Statement of Purpose

6.1 The purpose of this Guidance Note is:

- **to standardise industry terms and definitions to enable Investors to have a clearer understanding of financial products and services when making investment decisions;**

- **to enable Investment Managers and consultants to interpret information in a like manner and produce statistics/material that is accurate and useful;**

- **to aid FSC Members in their interpretation of the FSC Standards and Guidance Notes; and**

- **to place this Guidance Note on FSC's web site. This may be used as a reference point by FSC Members and other industry bodies when developing educational material and training courses.**

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7 Industry Terms and Definitions

Term	Definition
Access to Capital	The defined process for making a Withdrawal from a Scheme including the normal and maximum times for a Withdrawal to be paid, the calculation and components of the price to be applied and the restrictions that may apply.
Accounts	The financial reports of the Scheme, including a Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes.
Accumulation Fund	A Superannuation Fund where the member receives a sum of money (or pension equivalent) that is equal to the accumulated value of contributions paid into the Fund on that member's behalf plus earnings thereon net of expenses. Contributions may be made by the member or their employer sponsor (if any). The investment risk is borne by the member. Equivalent to a Defined Contribution Fund.
Active Management	A style of investment management that seeks to attain returns above a set benchmark by constantly monitoring and if necessary changing asset allocation and security selection.
Administration Fee	This is a fee to cover the general administration of the fund.
Adviser	A person who advises individuals on suitable forms of investment for their assets, considering their tax position, liabilities, personal circumstances, etc. May also be referred to as a Financial Planner.
Adviser Network	Companies or networks/groups partnerships that provide financial advice and sales, possibly in addition to other services (eg. taxation and accountancy advice, legal advice, general insurance).
Adviser Remuneration	Any remuneration paid to Advisers as compensation for advising, selling and maintaining business.
Aligned Advisers	Those Advisers (other than in-house sales staff) who have an agreement with one Manager relating to the sale of products. These Advisers may either sell only that Manager's products, or they may be able to sell the products offered by other Managers which they have an agreement with.
All Ordinaries Index (AOI)	A broad top down capital weighted index of 500 companies (based on market capitalisation with no liquidity requirements). This will be the S&P/ASX "headline" index. Within the umbrella of the AOI, the ASX has prepared a series of benchmark indices, as follows:

Term	Definition
	S&P/ASX 50 An index that is retained as the divider between large cap and mid cap stocks. **S&P/ASX 100** A benchmark for large active investment managers where the emphasis is on having sufficient liquidity to minimise adjustment costs from activity. It would cover large cap and mid cap stocks. **S&P/ASX 200** A benchmark for replicators where there is both sufficient market capitalisation to ensure a realistic holding and liquidity to ensure that shares can be bought or sold within a reasonable timeframe. **S&P/ASX 300** A benchmark which is set near the limits of institutional investability to cater for investment managers who have expertise in small companies. Given that the focus is on investability, liquidity is a fundamental criterion in determining eligible stocks.
Allocated Pension or Annuity	An account established to provide a flexible, regular income stream. It has special tax and social security features. The investment risk remains with the Investor. An Allocated Pension may be exhausted prior to death. In that respect, this product is different from a lifetime Annuity, which is paid for the life of the Investor.
Annual Benefit Statement	A document from the trustee that must be sent to members of a Superannuation Fund or Approved Deposit Fund on an annual basis which advises details of the member's entitlements including a summary of the member's account balance. Note: s1017D of the Corporations Act 2001 sets out Periodic Statements for Retail Customers for Financial Products that have an investment component.
Annuity	A regular periodic payment to a person usually made in exchange for an initial lump sum payment. Also refer to definition of Complying Pension/Annuity.
APIR Principal and Representative Identifier	The industry code used to identify participants in the financial services industry.
APIR Product Identification Code	The industry code used to identify unlisted investment Products.
Approved Deposit Fund	A Superannuation Entity that can accept eligible termination payments.
Approved Trustee	A constitutional corporation approved by APRA under SIS. The role of an Approved Trustee is to act as a Trustee of Public Offer Funds.

Term	Definition
Asset Allocation (%)	The percentage of assets held in each Asset Class in a Fund's Portfolio.
Asset Class	A category of financial assets. The major asset classes are shares, property, fixed interest and cash, which in turn can be broken down further to include domestic or international shares, domestic or international fixed interest, direct or indirect property etc.
Associate	Has the same meaning as Division 2 of the Corporations Act 2001.
Attribution Analysis	An investment performance analysis based on comparisons with agreed benchmark(s). *Allocation Effect:* Measures the impact of the decision to allocate assets differently than those in the benchmark. *Security Selection Effect:* Measures the effect of choosing securities, which perform differently from those in the benchmark. *Interaction Effect:* Jointly measures the effect of allocation and selection decisions. Interaction is positive if the overweight sectors outperform, or underweight sectors under-perform.
Authorised Investments	The investments which a Fund is permitted to make under its Governing Rules.
Badged Product	An investment Product that is administered and/or managed by one organisation, but labelled with the name of another organisation which is typically responsible for Distribution of the Product.
Basis Point	A basis point is 0.01 of one percent. Eg 50 basis points equals 0.5%.
Bear Market	A declining financial market.
Benchmark	A measure used for comparison of investment returns over a period of time.
Benchmark Asset Allocation (%)	The Benchmark percentage of assets in each Asset Class.
Beneficial Interest	An interest in an asset or pool of assets. The Investor does not legally own the asset(s) but has an interest in the asset or pool of assets. The interest is usually measured by the value of the pool and apportioning that value amongst all Investors – the allocation normally being by units on issue.
Beneficiary	A person who has a Beneficial Interest in a Fund.
Bonus	The allocation to an Investor in certain Life Office Products.

Term	Definition
Bonus Units	Additional Units issued free to existing Investors, usually in a predetermined ratio to the number of Units already held.
Borrowing	Refers to amounts loaned to a Scheme.
Broker	Refers to an agent who handles the orders of Investors to purchase and sell Securities, commodities, insurance policies, or other property. The provision of this service attracts a Brokerage. **Note:** FSRA has introduced restrictions on use of certain terminology including 'Broker' (s923A&B of the Corporations Act 2001). Also reference should be made to using the term Australian Financial Services Licensee.
Brokerage	A fee charged by a Broker for the purchase or sale of a Security. Also, see Commission.
Bull Market	An advancing financial market.
Bundled	The inclusion of a number of services or features into a single Product. For example, a bundled Superannuation offering might combine the various activities of investment management, insurance, trustee activities and administration into a single service. An unbundled arrangement would see these activities being conducted by a range of different parties.
Buy / Sell Spread	The difference between the Entry and Exit Prices of a Fund.
Capital	The accumulated net amount contributed to a Fund by an Investor.
Capital Guarantee	An undertaking that the realisable value of an investment will not fall below the value calculated in accordance with the relevant Product's Governing Rules.
Capital Protected	An investment portfolio managed so as to reduce or eliminate the risk of capital losses, usually through the use of quantitative techniques such as protection overlays.
Capital Reorganisation Reinvested Return	See Total Return.
Cash Surrender Value	The amount of cash a person may obtain by voluntarily surrendering a life insurance policy. May also be called Surrender Value.
Client	Clients include Investors and Advisers.
Closed Fund	A Fund which does not accept new Investors. Additional contributions from existing Investors may be accepted.
Commission	A fee charged by a Broker or Financial Planner for the execution of a purchase or sale of a managed investment.

Term	Definition
	Alternately, can be a fixed amount per transaction or a percentage of the total value of the transaction. Commission may also be referred to as Brokerage and is normally deducted from the gross amount contributed to the Product prior to investment. Commission may be negotiable between the Client and their Adviser. Commission or Brokerage on investment into Superannuation or managed investment Products is a different remuneration to anything that is paid on an ongoing basis or as a fee for service. These amounts are disclosed separately and may in certain cases, depending on the Product, be negotiated between the Investor and their Adviser.
Common Funds	Funds established by Trustee Companies to pool money, initially from estates managed by these companies, but more recently from the public in general.
Commutation	The process of converting a pension or Annuity into a lump sum.
Compliance Committee	A committee whose responsibility is to ensure an entity complies with: Law, Governing Rules, industry standards, professional body standards and internal policies.
Compliance Plan	Details the range of measures designed to protect the rights and interests of Scheme members. The Compliance Plan of a Managed Investment Scheme must include, at the minimum, a description of the structures, systems and processes used by a Responsible Entity to ensure that it is complying with the law and the Scheme Constitution. It must be lodged with the ASIC and audited annually.
Complying Pension/Annuity	A series of payments received over the remaining lifetime of a pensioner. The pension may be paid by a Superannuation Fund or by a Life Insurance Company. The pension must meet a number of legislated requirements. For example the payment must be made at least annually, fixed in value in any one year, but must be indexed in successive years to the lessor of CPI or 5%. It may be reversionary and does not have a residual capital value. A complying pension is subject to concessional taxation and RBL treatment.
Complying Superannuation Fund	A regulated Superannuation Fund that has not been given a notice from APRA that it is non- complying.
Consolidated Fund Manager	A Group of Fund Managers with the same parent company.
Constitution	The Constitution of a Managed Investment Scheme defines the rights, responsibilities and beneficial interests of both Investors and the Responsible Entity in relation to the Scheme. See also Governing Rules.

Term	Definition
Consumer Price Index (CPI)	Measures the price of a basket of items typifying goods and services purchased by Australian households across 8 capital cities. CPI allows comparisons of the relative cost of living over time and is used as a measure of inflation. CPI is also used to determine the inflation adjustment if any, that Investors may be entitled to under the Capital Gains Tax sections of the Income Tax Assessment Acts.
Contractual Regular Premium Business	Business where there is a contractual requirement for the client to pay future ongoing premiums and where future entitlements to benefits will change if premiums cease.
Contribution fee	This is the fee for the initial and every subsequent investment you make to the fund (or that may be made on your behalf, eg by an employer).
Corporate Governance	Is concerned with the way corporate entities are governed, as distinct from the way businesses within those companies are managed. Corporate governance addresses the issues facing boards of directors, such as the interaction with top management, and relationships with the owners and others interested in the affairs of the company, including creditors, debt financiers, analysts, auditors and corporate regulators.
Corporations Act link	http://scaleplus.law.gov.au/html/pasteact/3/3448/top.htm
Cum-Distribution	Income is included in the unit price.
Custodian	An organisation which holds assets and settles transactions on those assets (eg. Cash, securities) on behalf of third parties. A custodian is not subject to the same fiduciary duties as a trustee.
Custodian Fee	A fee payable to the Custodian of a Fund as payment for services performed in the role of Custodian.
Customer	Customer(s) means any Investor (as defined in this Guidance Note) and includes, without limitation, any other person who acquires, or proposes to acquire, a financial service or product from an FSC Member to the extent to which that acquisition or proposed acquisition does not otherwise result in that person being characterised as an Investor. Examples of such a Customer may include a person acquiring a life-risk only product or a person acquiring a service from an FSC Member such as financial product advice.
Debt Security	Borrowed Funds that must be repaid by the entity issuing the Debt Security.
Defined Benefit Fund	A Fund where the member receives a benefit that is defined by the Trust Deed of the Superannuation Fund.
Derivatives	A financial instrument that derives (hence its name) its value from the price of a physical security or an index.
Direct-Response Promotional Statement	A Promotional Statement, which includes an inducement for recipients of the statement to communicate directly with the

Term	Definition
	issuer of the statement in connection with an offer made in the statement.
Disclosing Entity	A disclosing entity is an entity that has issued "Enhanced Disclosure (ED)" securities. Normally ED securities are: • Quoted on the Australian Stock Exchange; • Securities (other than debentures) issued under a prospectus with a minimum of 100 holders of the security at all times; • Securities (other than debentures) issued as consideration for an acquisition under a takeover scheme or a Part 5.1 compromise arrangement, and at least 100 holders have held the securities of that class at all times; • Debentures of a borrowing corporation. The Corporations Act 2001 provides a detailed definition of ED securities and exclusions. ASIC may provide relief from the disclosing entity requirements of the Corporations Act 2001 by way of Policy Statements or Class Orders.
Distribution	The amount that is paid to continuing Scheme Holders after the end of a Distribution Period. Note that this should be interpreted to include income, realised capital gain and any return of capital.
Distribution or Dividend Reinvestment	An investor-authorised purchase of additional units in their investments using Distributions received, where this relates to a company, the reinvestment would be called a Dividend Reinvestment.
Distribution Period	The period within which Distributions (eg. interest payments and realised capital gains) accrue before a Distribution Payment at, or after, the end of the period. .
Distribution Return	The Total Return less the Growth Return. This represents the contribution to Total Return made by the Scheme's Distributions, which may be of an income or capital nature.
Diversification	A deliberate strategy aimed at reducing the impact that volatility in one asset class, sector or market will have on your overall portfolio of assets.
Dividend	The payout from a company of a portion of its earnings to its shareholders in proportion to the number of shares the shareholder owns.
Dollar-Cost Averaging	The practice of investing amounts of money at regular intervals, regardless of whether the securities markets are declining or rising.

Term	Definition
Effective Exposure	The percentage of gross assets held in each asset class including the impact of derivative positions.
Eligible Termination Payment (ETP)	Eligible Termination Payments or ETPs, as they are perhaps more commonly known can generally be described as: • Payments made in consequence of a termination of employment; • Payments from superannuation funds or approved deposit funds, including death benefit payments; and • Certain other payments or amounts, including payments arising from the disposal of the assets of a small business where the disposal proceeds are termed "CGT-exempt" amounts that the small business owner(s) roll(s)over to a superannuation fund to save for retirement. There are special rules for amounts to qualify as "CGT-exempt" amounts. There are exclusions to these payments. Typically the exclusions are as follows: • Where payments are made in consequence of a termination of employment, payments in lieu of unused annual leave or/and long-service leave are not part of the ETP. Also, where the payment includes amounts that are bona-fide redundancy payments and approved early retirement scheme payments made after 30 June 1994, they are tax free up to certain limits and are not included in the definition of ETPs. • Where payments are made from superannuation funds that are income stream or pension payments, these payments are not included in the definition of ETPs. The Income Tax Assessment Acts 1936 & 1997 set out the taxation requirements in respect of ETPs. Where a person receives an ETP as a result of termination of employment, it does not matter whether the ETP is rolled over to a superannuation fund or cashed, the provisions of the Surcharge legislation will ensure the payment is taxed if appropriate.
Emerging Markets	The term used to describe the financial markets of developing countries.
Employer Sponsored Superannuation Fund	A Regulated Superannuation Fund that has at least one employer sponsor and an agreement to make contributions to the Fund is in place between the employer and the trustee.
Entry Fee	**see Establishment Fee; also see Contribution Fee**

Term	Definition
Entry Price	The price at which a unit in a Fund is issued at a point of time. The price includes any transactional costs applicable to the purchase. May also be referred to as "Allocation Price or Issue Price".
Establishment Fee	A fee levied on an Investor to buy units in a Scheme. It is payable to the Manager/promoter of the Scheme.
Ethical Investments	They are investments, which involve consideration of ethics, rather than based solely on potential financial return.
Ex Date	The date at which the current holder of an investment becomes entitled to receive the Distribution.
Excluded Fund	A Superannuation Fund, where there are less than five members of the Fund or an Approved Deposit Fund with only one member. These Funds are also known as DIY (do it yourself Funds) or "mum and dad" Funds. See also Self-Managed Superannuation Funds.
Excluded Invitation/Offer	An offer or invitation to invest, in a Scheme, without issuing a registered offer document. The term is extensively defined in Section 708 of the Corporations Act 2001. In common usage, people tend to think of excluded offers as those where Investors subscribe a minimum of $500,000 per Investor for the offer.
Exit Fee	**see Withdrawal Fee**
Exit Price	Means the price at which Investors realise an entitlement in a Scheme; which may include a Distribution component.
Ex-Price	The last Cum-Distribution Exit-Price calculated at the end of a Distribution Period less the Distribution payment associated with that Distribution Period (ie. The Ex-Price must not reflect market movements after the end of the Distribution Period).
Feeder Funds	See Master Funds.
Financial Planner	Is a person involved in Financial Planning. This is a holistic process taking into account all aspects of a client's financial and personal situation so that a plan will help meet the client's life goals. This process may encompass many areas, including risk management, investments, estate planning, superannuation, financial counselling, budgeting and retirement planning.
Financial Product	As defined **by** requirements of s763A & 764A of the Corporations Act 2001.
Financial Services Licensee	Means a person who holds an Australian Financial Services License - s761A of the Corporations Act 2001.

Term	Definition
Fixed Interest Securities	Securities which involve a contractually determined fixed payment of interest and capital to Investors, whether denominated in nominal or real (ie inflation adjusted) terms.
Franking Credits	See Imputation Credits.
Friendly Societies	Organisations registered under the appropriate legislation with the primary objects of providing financial, investment, health, welfare, educational benefits or the supply of medical requisites to their Investors.
Fund	Refers to a pool of assets, from a number of Investors, which are invested with a common investment mandate, share a common set of fees and conditions.
Fund Manager	Generic term that collectively describes the Manager and the Investment Manager.
Gearing	The ability to increase exposure over and above the value of the underlying assets of the fund by using derivatives or Borrowings.
Governing Rules	In relation to a Scheme, means the relevant law instrument, or other document or a combination of them, governing the establishment and operation of the Scheme.
Gross Fund Size	Total value of Fund assets.
Gross Up (for imputation)	Refers to the process of adding the imputation credits received to the cash or cash equivalent amount of dividends or Distributions. This is required for tax purposes. The amount added on (thereby increasing the taxable income) is usually available as a tax rebate.
Group Life Business	Life Insurance sold to corporate entities and other organisations whereby the one policy or contract covers a number of individuals. Both Superannuation and Non-Superannuation businesses are included.
Growth Assets	Assets, which have the potential to achieve an increase in capital value. eg Shares and Property.
Growth Return	The percentage change in the Scheme's Hard Close Exit Price adjusted for any capital re-organisation (eg. An issue of bonus units). Note that prior to the Distribution date the Performance Price may include a Distribution component if the Scheme Operator separates Scheme Holders' income from their capital entitlements.
Hard Close Exit Price	Refers to the Exit Price that was calculated based on close of market valuations on that day.
Imputation Credits	Tax credits available to an Investor who receives franked dividends or Distributions. These credits are available to

Term	Definition
	offset the Investor's tax liability. Should the tax liability be zero, then for certain investors the credits are refundable. Franked dividends are dividends paid out of profits on which a company has paid tax. Where an Investor receives a franked Distribution, normally they are receiving a share of a trust's income that included franked dividends.
Income	Is a component of the Distribution made to Investors by the Fund of any earnings including taxed and untaxed net realised capital gains incurred within a particular accounting period.
Index Fund	A Fund that structures its portfolio with the objective of matching the return of a specified financial market index.
Indexed Bonds	An interest bearing security whose income stream or capital value is indexed eg. to CPI.
Indexed Management	A style of investment management that seeks to attain performance equal to index returns. In pure Index Funds, no judgements are made about future market movements.
Indirect Cost Ratio	
Individually Managed Portfolios	Assets managed in accordance with individual Mandates.
Industry Superannuation Fund	A Multi-Employer Superannuation Fund whose members generally belong to a common industry.
Infrastructure Investment	Investment made in substantial capital assets required to fulfil major economic and social needs. Examples include roads, power stations and prisons.
Initial Investment	The first amount of money contributed to a Fund.
Insurance Bond	A single premium investment Product issued by life insurance companies or friendly societies which operates in the same manner as a unit trust except that the return is provided to the Investor net of tax.
Insurance Policy	A contractual document issued by an Insurance Company or Friendly Society stating the terms and conditions of its contract with the policyholder.
Intermediary	An entity that affects the flow of Funds through the primary markets from savers to borrowers.
Internal Rate of Return	Is the discount rate that equates the sum of present value of the cash flows received from an investment to the initial cost of that investment.
International Fixed Interest Securities	Fixed Interest Securities issued by a local or overseas government or entity in a foreign currency.

Term	Definition
International Fund	A Fund that invests in securities in one or more countries outside of Australia.
International Shares	Shares where the home stock exchange is not in Australia.
Investment Advisory Services	Advice on financial products whether provided with another service (eg dealing or discretionary portfolio services) or on its own. It is used interchangeably with the terms "advisory services" and "financial product advice".
Investment and Financial Services Association (FSC)	An industry association which was established in late 1997 and acts as the collective voice of its member companies when dealing with governments and the general public.
Investment Management Agreement	A contract between an Investor (normally large) and an Investment Manager stating the terms and conditions applying to management of the stated assets.
Investment Management Fee	This is the fee for managing the fund's investments.
Investment Manager	An entity that specialises in the investment of money on behalf of investors.
Investor(s)	Those persons, whether they be natural persons or not and including responsible entities, managers and trustees, in whose name an interest in a Scheme or Portfolio may be registered from time to time.
Issuer Fee	This is the fee for the product issuer's services in overseeing the fund's operations and/or for providing access to the fund's investment options.
Large Adviser Network	An Adviser Network that includes over 20 Advisers who specialise in advising on and selling financial Products.
Legacy Products	Legacy Products means any current product or fund which generally is no longer available to the public for subscription, acquisition or purchase and includes both soft-closed products and hard-closed products where: a. soft-closed products means products under the terms of which no new Investors are admitted but current Investors may make further payments into the product, and; b. hard-closed products means products under the terms of which neither new Investors nor receipt of additional funds from existing Investors is permitted.
Life Insurance Company	Is a body corporate that is registered under the Life Insurance Act 1995 or a public authority that carries on life insurance business.
Liquid Assets	Include deposits at call (including cheque accounts) as well as fixed interest securities (other than mortgage securities) with a term to maturity of 180 days or less at the time of purchase.

Term	Definition
Long Term Securities	Is a security whose maturity date exceeds 365 days.
Managed Funds	Any form of investment in which a number of Investors place their money with a Manager to invest on their behalf.
Managed Investment Scheme	A registered Scheme regulated under the Chapter 5C of the Corporations Act 2001.
Management Expense Ratio (MER)	A ratio, expressed as a percentage per annum, used to capture expenses incurred by an unlisted Scheme. Charges incurred by a direct Investor in the same assets should be excluded where these can be identified. This term will cease to exist for all product types from 1 July 2006, when the ICR replaces the MER.
Manager	The Product offerer and management entity directly responsible for the Product.
Mandate	In establishing investment management agreements, the client's investment instructions and objectives are typically set out in a document described as a mandate. The mandate can either form part of the investment management agreement or can be a separate document. The 1995 Standard Investment Management Agreement provides for the inclusion of client's investment instructions and objectives in schedule 2. Mandates include: • The objectives agreed between the client and the manager • Compliance matters • Guidelines as to asset allocation; and • Any provisions related to prohibited investments or gearing of the portfolio
Mark to Market	The revaluation of a security, such as a bond, share, or futures contract, at the last sales price on the market at the date of valuation.
Market Indices	A measurement reflecting the value of a defined group of securities.
Market-Linked Investment	A Fund that is marked to market.
Master Fund or Master Trust	Both names are used interchangeably for Schemes that allow individual Investors or smaller Superannuation Funds to channel money into one or more underlying Funds. A Master Fund may include one or more legal entities that cover Superannuation and Non-Superannuation investment. Where a Master Fund is a Complying Superannuation Fund,

Term	Definition
	it may offer several Products including accumulation options, allocated and superannuation pensions. Member Discretionary Master Funds allow Investors to select from a menu of underlying investments. The menu is selected by the Master Fund operator and includes investments developed by the operator and investments managed by other Fund Managers. This type of Master Fund does not provide investment management services but may provide asset allocation overlay in certain circumstances. In Fund of Funds arrangements, the Investor selects a general risk profile and the Master Fund operator selects the underlying Funds from their own range of Funds and/or from external Managers. Feeder Funds operate similarly to Fund of Funds arrangements. In this case, however, the Master Fund operator is also responsible for managing the underlying investments available to the Investor.
Materiality	Materiality is extensively defined in Accounting Standards. Materiality can be viewed as defining the magnitude of an omission or misstatement of financial or other information that makes it likely that a reasonable investor relying on the information provided would have either changed their mind or been influenced by the omission or misstatement. Materiality can be measured by reference to tests such as the dollar amount involved or % error allowances. In considering whether to adjust for errors, a judgement needs to be made as to whether the cost of correction is substantially more than the benefit derived from the change.
Member	Refer to the definition of "Investors".
Member Fee	This is a member account keeping fee charged by the fund.
Mezzanine Funds	Funds that offer unsecured (or subordinated) debt to companies that are in a growth phase, but may not be able to raise additional equity capital or finance through traditional sources.
Minimum Initial Investment	The minimum amount needed to commence an investment as set out in Scheme's offer documents.
Minimum Investment Balance	The smallest ongoing balance allowable to keep an investment open as set out in the Scheme's Offer Document.
Month-End	Is the last calendar day of the month.
Net Assets	Total gross assets less total gross liabilities.
Net Assets Value Per Unit	Net assets divided by the number of units issued.

Term	Definition
Net Pool Size	The Net Assets invested as a single investment portfolio for one or more Funds. Frequently several distinctly structured Funds are offered by an investment manager to different types of Investors but the underlying assets of those Funds are all invested in a common investment pool. Each "Fund" should only belong to one pool. Net Fund and pool size may be equal (where the pool is comprised of the one Fund only), but the Net Fund Size can never be greater than the size of the pool.
New Single Premium Business	Includes all premiums received which are non-contractual (ie do not require additional premiums to be paid). Examples include rollovers, annuities and insurance bond Products.
Non-Complying Fund	A Superannuation Fund which fails to meet the prerequisites for concessional taxation treatment under Superannuation Industry (Supervision) Act 1993.
Non-Reinvested Return	Is the Total Return to a Scheme Holder that elected not to reinvest their Distributions back into the Scheme as calculated by the Internal Rate of Return.
Ongoing fees	This is the total of all ongoing administration, investment management, expense recovery and other fees charged by the fund.
Operator	Means, in relation to a Scheme, the company specified in a Scheme Operator's licence as the Operator of the Scheme and includes: • The Responsible Entity of a Managed Investment Scheme; • The Trustee of a Scheme regulated under the Superannuation Industry Supervision Act 1993; and • The Life Company as regulated under the Life Insurance Act 1995.
Ordinary Business	Business sold under the Life Insurance Act 1995 that is not defined as Superannuation.
Passive Foreign Income (FIF)	The classification of foreign income as "passive income" is relevant for determining the entitlement to foreign tax credits. "Passive income" includes dividends, interest, royalties and passive commodity gains (grossed up for foreign tax paid). Note that "modified passive income" (relevant for loss quarantining purposes), is "passive income" excluding foreign interest income.
Passive Management	A style of investment management that aims to achieve investment returns in line with those of a specified market or index. May also refer to a style of investment management

Term	Definition
	that focuses on holding investments for an extended period rather than trading to maximise gains.
Pool	A group of assets from one or more Funds that are managed collectively.
Pooled Superannuation Trust (PST)	A PST is a Scheme with a trustee approved by APRA, which is used only for the investing the pooled assets of Regulated Superannuation Funds, Approved Deposit Funds, life offices and registered organisations. PST's are taxed under special provisions of the Tax Acts. When holders of units in PST's dispose of their holdings they do not need to pay any additional amounts in tax.
Portfolio	A group of investments managed in accordance with a specified mandate.
Product Disclosure Statement	As defined by requirements set out in Part 7.9 of the Corporations Act 2001.
Promotional Statement – see STd No 10	A statement, other than an offer document, intended to promote an investment Scheme, whether it is made by means of newspapers, magazines, brochures, pamphlets, letters, billboards or other written or print media or by means of telephone, radio, television, tape or video-recorder or other oral or visual means. It would not normally include a communication with existing Investors unless promotional material is included in that communication.
Property (direct)	Refers to direct holdings of real estates but also refers to unlisted trusts that directly hold investments in property.
Public Offer Funds	These are Superannuation Funds marketed to the public at large, generally not standard employer sponsored and are subject to rules defined under the Superannuation Industry (Supervision) Act 1993 such as the requirement to have an approved trustee. Also referred to as Public Offer Superannuation Funds.
Public Unit Trust	A Scheme constituted under an approved Constitution.
Regular Savings Plan	An agreement in which an Investor will pay a regular amount at a nominated frequency into an existing Scheme.
Regulated Superannuation Fund	A Fund in which the trustee is a constitutional corporation or a Fund with the sole purpose of paying a pension and where the trustee of the Fund has elected for the Fund to be a Regulated Superannuation Fund by notice to APRA.
Reinvestment Date	The date at which new units are issued as a result of reinvestment of a Distribution.

Term	Definition
Reinvestment Price	Is the unit price at which Scheme Holders, that elected to automatically reinvest their Distributions, purchased additional units in the Scheme.
Related Party Transactions	Definitions of related party transactions are set out in sections 228 for public companies and s601LA-601LE of the Corporations Act 2001 for registered schemes.
Responsible Entity	The company named in ASIC's record of the Scheme's registration as the Responsible Entity or Temporary Responsible Entity of the Scheme. The Responsible Entity of a registered Scheme is required to operate the Scheme and perform the functions conferred on it by the Scheme's constitution and the Corporations Act 2001. The Responsible Entity of a Scheme must be a public company under the Corporations Act 2001 and must hold an Australian Financial Services licence from ASIC.
Retail Offering	Products and services that are structured for the unsophisticated investor market, as defined in s761G of the Corporations Act 2001.
Retirement Savings Account (RSA)	A Superannuation account maintained solely for retirement income purposes. RSAs are portable, owned and controlled by the member and Capital Guaranteed. The balance of the account cannot be reduced by the crediting of any negative interest or earnings or reduced by changes in the market value of assets but may be reduced by fees and charges.
Risk Management Statement	A document used by insurance companies and Superannuation entities to record and monitor internal measures to control risks when using derivatives.
Scheme	Means any entity which is subject to the Superannuation Industry (Supervision) Act 1993, or is a Managed Investment Scheme as defined under the Corporations Act 2001, or is a life insurance investment Product covered under the Life Insurance Act 1995.
Scheme Holder	Refer to the definition of "Investor".
Sector	Provides a further level of breakdown of Asset Classes that are made up of one or more investment sectors or sub-sectors. For example, the following are examples of sectors: Cash (<180 days) - Notes and Coins - Overnight Cash - Treasury Notes - Bank Bills Fixed Interest (>180 days) - Government Backed - Semi-Government Backed

Term	Definition
	- Corporate - Bank Backed
	Property (direct) - Residential - Rural - Commercial - Leisure/Hospitality - Industrial
	Equities - Industrial - Resources
	Speciality - Derivatives - Collectibles - Antiques - Thoroughbred
	Also, a further breakdown within the asset classes to sub-sector level is possible.
Sector Weighting	A percentage of investments allocated to a specific sector.
Securities	A form of contract representing ownership in shares, fixed interest and derivatives.
Self-Managed Superannuation Funds	Are regulated by the Australian Taxation Office and have to meet the following criteria: • The number of members must not exceed 4; • All the members are required to be trustees and vice versa • Members will have to be either partners, directors or trustees of the employer sponsor, or a family relative.
Separately Managed Portfolio	A pool of investments belonging to a single Investor managed in accordance with an individual investment mandate.
Share Capital	The capital raised by an entity through the issue of shares or units. An alternative to debt capital or debt funding. May also be referred to as Equity.
Shares	Are defined to be ordinary shares, convertible notes, preference shares, rights accruing to shareholders and similar securities which presently or prospectively will give the holder the right to share in the residual earnings of a company.
Short Term Securities	Debt Securities, which have an original term to maturity of one year or less.
Single Contribution Products	Products that provide the Investor with the flexibility to make further investments at their discretion.

Term	Definition
Soft Close Exit Price	Refers to the Exit Price used to process Withdrawals during the normal course of business on that day.
Soft Dollar Dealing	Refers to the allocation of Commissions, arising from share trading, toward the acquisition of goods and services that will assist in the provision of investment services to Investors.
Specialist Manager	An investment manager who confines its investment activity to specific asset classes (eg. equities, fixed interest, property, overseas shares, etc) instead of Balanced Funds.
Statutory Fund	A fund that: (a) is established in the records of a life company; and (b) relates solely to the life insurance business of the company or a particular part of that business. A fund established under the Life Insurance Act 1995 for recording the financial transactions, assets and liabilities of life insurance business of a life company.
Strategic Asset Allocation	The composition of an asset mix within a portfolio, constructed with the objective of meeting the long-term liabilities of a Fund, rather than being based on short-term views of relative performance of the various asset classes.
Superannuation Entity	Means a Regulated Superannuation Fund, an Approved Deposit Fund or Pooled Superannuation Trust.
Superannuation Fund	Schemes for the payment of benefits upon retirement or death.
Supplementary Product Disclosure Statement	A document designed to correct a deficiency in the product disclosure statement or provide particulars about something that has occurred since the product disclosure statement was prepared. Requirements set out in s1014A of the Corporations Act 2001.
Switch	A transaction where an Investor transfers either between two Funds or components of a Scheme e.g. between a Growth Funds and a Balanced Fund or within a Master Trust or Wrap Service between different types of investments which may include listed security offerings available to the Investor as options.
Switching Facility	The ability to transfer units between two Funds or components of a unit trust eg. Between a Growth Fund and Balanced Fund.
Tactical Asset Allocation	An investment approach by which the allocation of a Fund to different classes of asset is changed on a short-term basis to take advantage of perceived differences in their relative values.

Term	Definition
Tax Deferred Distribution	The amount relating to a Distribution to the Investor, that is, currently not assessable for income tax purposes but an adjustment is required to the cost base of the investment for capital gains tax purposes.
Tax Free Distribution	The amount relating to a Distribution to the Investor that is deemed to be tax-free. Such amounts may reduce capital losses derived on the disposal of investments for capital gains tax purposes.
Termination Fee **Tiered Fee**	This is the fee when you close your account with the fund. Entry, exit and ongoing fees, which are charged at variable rates depending on the level of investments, ongoing balance and withdrawals. May also be referred to as Scaled Management Fee.
Total Gross Assets under Investment Management	Total gross money managed by the Investment Manager where "managed" refers to the carrying out of the investment management process including asset allocation and security selection.
Total Gross Assets Under Management	Total money held within Funds offered by the Manager and is equivalent to the sum of Gross Fund Sizes for all Funds offered by a Manager.
Total Net Assets under Investment Management	Total net money managed by the Investment Manager where "managed" refers to the carrying out of the investment management process including asset allocation and security selection.
Total Net Assets Under Management	Total money held within Funds offered by the Manager and is equivalent to the sum of Net Fund Sizes for all Funds offered by a Manager
Total Return	Is the percentage change in a continuing Scheme Holder's financial interest in a Scheme assuming the reinvestment of all Distributions back into the Scheme and adjusting for any Capital reorganisation.
Tracking Error	A statistical measurement of volality that indicates the extent that a Fund's performance varied from its benchmark.
Traditional Broker	Refers to a Broker who retains the Brokerage charged and may or may not provide additional services to their clients such as research and other portfolio related services.
Traditional Life Business	Includes whole of life and endowments, and bundled Products.
Trailing Commissions	Subsequent commission payments other than initial commissions, including Funds under management commissions.

Term	Definition
Transaction Cost	Costs associated with buying and selling investments within a portfolio, notably brokerage costs and stamp duties. These costs are generally included in the buy/sell spread.
Transaction Cost Spread	A measure of the cost to an Investor to enter and leave a Fund on the same day (eg without any change in the underlying asset value). This measure accounts for any cost provisions and rounding made when calculating the unit prices, and does not include entry and exit fees. It is expressed as a percentage of the gross investment.
Trust Deed	A document, which sets out the rules for the establishment and operation of a non registered Scheme or Superannuation Fund.
Trustee	A person or body corporate bound to carry out the terms of a trust deed for the benefit of beneficiaries.
Trustee Director	A director of a corporate trustee.
Trustee Fee	A fee payable to the trustee of a Fund as payment for services performed in the role of Trustee.
Turnover of Portfolio	(Lesser of purchases or sales of portfolio securities for the reporting period) / (monthly average value of the portfolio for the reporting period)
Unbundled	Referring to the structuring of a Product or service where the individual components involved in the management of that Product are split out with separate fees usually applying (Opposite of Bundled).
Underlying Investments or Securities	• In relation to Managed Investments, this normally means the investments selected by the investment manager. • In the case of Master Trusts, underlying investments are the investments offered through menu options for an Investor to select. The menu may include both listed and unlisted investments and may also include investments only available through the Master Trust the Investor has elected to use.
Unit	The measure of an Investor's share of a unit trust or Fund, consistent with the concept of a share in a corporate entity.
Unit Trusts	Trusts where the beneficial interests are represented by units. Unit trusts registered with ASIC and are called Managed Investment Schemes.
Unitholder	Refer to the definition of "Investors".

Term	Definition
Vested Benefit	The portion of a member's Superannuation benefit that the member would be entitled to retain on withdrawal from the Fund.
Volatility	Refers to the propensity of a Fund's unit price to fluctuate, either up or down and is generally measured by the standard deviation of a Fund's return.
Wholesale Offering	Products that are structured for the professional market to invest in. Section 761G (7) of the Corporations Act 2001 sets out when a person is regarded as a wholesale client.
Withdrawal	Is the process of an investor taking money from a Scheme. Investors may be able to withdraw all or part of their investment. Where Investors are withdrawing from a Superannuation Fund, legislation may restrict when money can be paid directly to the member. It may need to be rolled over to another Complying Superannuation Fund. In the past, 'Withdrawals' were often called 'Redemptions' for managed investments.
Withdrawal Fee	A fee charged in relation to some Schemes for redemption of units (Withdrawals) by Investors. It is payable to the manager/promoter of the Scheme. The withdrawal fee is in addition to the buy/sell spread.
Wrap Account / Service	A portfolio reporting and custodian service in which Investors hold assets via a custodian arrangement and receive reports on all assets within the portfolio. Assets held may include direct investments such as shares, and Managed Investments including Master Funds etc.

7.2 Due to the number of references to the Corporations Act attached below is a link to ASIC's website where a copy of the Act can be found.

http://scaleplus.law.gov.au/html/pasteact/3/3448/top.htm