

Glossary

Accounting currency

Currency in which the fund's accounts are kept and in which the net asset value is calculated.

Alpha

Alpha is the term used to describe the risk-adjusted out-performance of an investment. A positive alpha indicates that a fund has outperformed its respective benchmark and negative alpha indicates a measure of relative under-performance.

Annual report

See 'Financial reports'

Annualised volatility

Annualised volatility is a statistic which is most likely to be achieved. Greater volatility implies increased uncertainty regarding a fund's likely return and is associated with greater risk. The statistic may be calculated by calculating the lognormal annualised standard deviation of a fund's return distribution.

Asset allocation

The strategic distribution of available capital over various investment instruments bonds and money market paper. Investments are also spread over a variety of geographical regions and currencies.

Auditors

An independent company appointed by the fund management company and the custodian bank to supervise the management of the individual investment funds and the activities of the management company.

Benchmark

Index which serves as a means of measuring a fund's performance. Benchmarks enable investors to compare the performance of different fund managers and to make a balanced, objective judgement.

Beta

Beta describes the sensitivity of a fund's performance to the return of its market index. A beta value of 1.0 means that a fund moves exactly in-line with expected changes to the market whilst a fund with a beta value of greater than 1.0 (aggressive position) means that its magnitude of change will be larger than any expected market change. The converse is true for funds with a beta value of less than 1.0 (defensive position).

Bond

A debt security, or in other words an IOU, issued by a company or a government. The issuer undertakes to repay the amount invested in full at maturity (usually after 5-15 years), and to pay a certain interest - the amount is agreed in advance - at regular intervals.

Blue Chip

Shares of well-established companies with a proven track record of steady earnings growth and continuous dividend payments.

Capital gains

If the difference between the purchase price and selling price of an investment is positive, then this is known as a capital gain. If this difference is negative, it is known as a capital loss.

Correlation

Correlation describes how a fund and its benchmark have historically moved in relation to each other. Correlation coefficients (measure of the relative movement) range from -1.0 through to $+1.0$. A correlation coefficient of $+1.0$ implies that a fund consistently moves in the same direction as its benchmark and a correlation coefficient of -1.0 may be interpreted as meaning a fund consistently moves in the opposite direction to its benchmark. A correlation coefficient of zero suggests that a fund and its benchmark are not correlated.

Convertible Bond

A bond that can be exchanged for shares of the issuer's common stock at the terms stipulated.

Country Funds

Country funds concentrate their investments in one particular country.

Custodian Bank

Under the terms of the Swiss Investment Fund Act (IFA), the custodian bank jointly enters into a contractual relationship with the investor and the management company. The custodian's duties include the safekeeping of the fund's assets, the issuing and redemption of units and the handling of payment transactions. It is also responsible for ensuring that no investments are made contrary to the stipulations of the IFA or the fund regulations.

Dividend

A 'dividend' paid to the unitholders on the basis of the income and realised capital gains accruing to an investment fund. The size of the distribution is determined by the fund management company.

Diversification

Spreading your money over a number of securities. Diversification is the most effective way of reducing risks, and minimises the effect that the below-average performance of one particular security has on the fund as a whole.

Duration

The duration of a bond is worked out on the basis of its remaining term to maturity and the interest it will pay, and is a measure of the bond's sensitivity to interest rate changes. Let us take an example of a bond with a duration of 5 years. If interest rates fall by 1%, the price of the bond will increase by approx. 5% (i.e. 5×1). By contrast, if interest rates rose by $x\%$, the price would fall by roughly five times $x\%$.

Equity

Ownership of an asset, generally used to refer to shared ownership of a company by means of stocks.

FCP

Fonds commun de placement. Legal form of investment fund under Luxembourg law. FCP investors are joint owners of the fund's assets.

Financial Reports

The fund management company must publish two reports per year on the activities of its investment funds: an annual report and a semi-annual report. The information which must be published for the benefit of investors is strictly defined by law. The annual report must, for example, contain the following information: statement of assets and income, application of income, the number of units redeemed and the number of new units issued, the number of units in circulation, and the net asset value per unit at the financial year-end and the auditors'

report. The annual report must be published within four months following the close of the financial year, the semi-annual report within two months of the close of the half-year.

Fixed Income

Debt securities such as bonds, debentures and mortgages.

Fund regulations

The fund regulations form the basis for the operation of the investment fund and define the rights and obligations of the parties to the contract. Subsequent changes must be officially approved and cannot be implemented unilaterally by the management company.

Fund-linked life insurance

A life insurance policy which helps investors to accumulate capital by combining insurance cover with investment in mutual funds. Policies are available in various currencies. Fund-linked insurance allows policyholders to benefit from the performance of the funds they choose. Since the value of the securities in the funds' portfolios can fall as well as rise, there is a risk of the investments declining in value. There is thus no guarantee of a specific sum being paid out in the policy currency upon maturity. The death benefit is, however, guaranteed.

IFA

Abbreviation for the Swiss Investment Fund Act. The currently valid Federal Law Governing Investment Funds was passed on 18 March 1994 and came into effect on 1 January 1995.

Information Ratio

This statistic measures how much a fund's out-performance may be attributed to manager skill as oppose to market movement. A high Information Ratio infers more manager skill than a low value would suggest. Information ratio is calculated by taking the difference between the average annualised return of a fund and the average annualised return of its benchmark and then dividing this value by the requisite tracking error of two components.

Investment Fund

Article 2 of the IFA defines an investment fund as 'a pool of assets generated by the investors as a result of public advertisement for the purpose of a collective investment and managed for the account of the investors, generally on the principle of risk diversification.'

Issuing commission

A commission which investors are charged when they purchase units.

Listing

The official authorisation needed for a security to be traded on a stock exchange. The following Funds are listed on the SWX Swiss Exchange: Credit Suisse Real Estate Fund Interswiss, Credit Suisse Real Estate Fund Siat, Credit Suisse Real Estate Fund Siat 63, Credit Suisse Real Estate Fund Swissimmobil Serie D, XMTCH on SMI®.

Liquidity

The ability to convert an investment quickly and easily into cash. Investment funds, especially money market funds are very liquid investments.

Management company

A company which administers investment funds for the account of investors independently and in its own name. It decides on the sale and purchase of investments, the distribution of earnings and on corporate policy as a whole. The management company is also responsible for the fund's bookkeeping and publishes annual and semi-annual reports.

Management fee

Remuneration paid to the management company for managing the fund. The management fee is expressed as a percentage of the fund's assets and is deducted on a daily basis.

Market price

The price of investment fund units listed on a stock exchange or traded over the counter. The price is defined by market forces, whereas the issuing and redemption prices of the units are defined by the management company on the basis of the fund's net asset value (NAV).

Maturity

The due date on which a debt security must repay its investors' principal.

Maximum drawdown

Maximum drawdown represents the biggest downside price movement for the period under consideration (statistic includes temporary upward ticks in price).

Money market

A place where people, usually banks, industrial companies, major investors and governments come to lend and borrow money for the short term. Short-term in this instance means that the lending period is usually between one day and 365 days.

Mutual fund

Another common term for investment funds, especially in the United States.

Net asset value

The NAV is calculated roughly as follows. Firstly, the market value of the assets held by the fund is determined. All the fund's liabilities - and in the case of real estate funds any taxes likely to be incurred when properties are sold - are then deducted. The remaining amount is divided by the number of units in circulation to give the net asset value.

Performance

See 'Return'.

Redemption commission

Commission charged by some management companies on the redemption of units. The redemption of our investment funds is not, however, subject to commission.

Reference currency

Currency in which the investor thinks and calculates, or in which the performance of the fund is measured.

Regional funds

Investment funds which concentrate their investments in a certain geographic region or economic area.

Reinvestment

Opportunity given to investors to reinvest the annual distribution in the same fund, but on very favourable terms.

Right of redemption

Fund units can, in principle, be sold back to the management company at any time at the current redemption price. There is one exception to this rule: in accordance with Article 41 of the IFA, investors in Swiss real estate funds may only redeem their units at the end of a financial year after having given notice twelve months previously. However, as our real estate funds under Swiss law are listed on the stock exchange, investors can sell their units at any time at the current stockmarket price.

Sector funds

Equity funds which invest their assets purely in stocks from one particular economic sector (e.g. pharmaceuticals).

Semi-annual report

See 'Financial reports'

Sharpe ratio

Sharpe ratio measures the reward for taking risk (measured in terms of volatility). The rationale being that a fund manager should attain at least the 'risk-free' return and consequently the reward for taking risk should be adjusted to exclude this component of a fund's performance. This equates to the 'excess return per unit risk taken'. The sharpe ratio is calculated by subtracting the 'risk-free' rate (e.g. 3 month LIBOR US\$) from a fund's (e.g. US\$ Equity Fund) annualised return and dividing this by the fund's annual volatility.

Small-cap stocks

Stocks issued by companies with a relatively low market capitalisation, i.e. the total number of shares outstanding multiplied by their price. Such stocks are regarded as offering high growth potential. For more detailed information on our small-cap funds, please click [FundFacts](#).

Sicav A

Sicav is an open-ended investment fund in the form of a joint-stock company with a single legal personality. Sicav stands for Société d'investissement à capital variable (investment company with variable capital).

Source tax

Tax levied on a taxable item immediately at source, e.g. Switzerland's 35% withholding (anticipatory) tax.

Supervisory authority

Government authority responsible for supervising the activities of investment funds. This role is performed in Switzerland by the Federal Banking Commission.

Switching

Selling units of one investment fund whilst at the same time buying units of another fund in the Credit Suisse Investment Funds range. A reduced issuing commission is charged for such transactions.

Total return

Total increase in value over a certain period of time, expressed as a percentage. It is made up of the distributions and price gains. In the case of a price fall, the loss is reduced by the amount of the distributions.

Tracking error

Tracking error is used as a measure of risk taken against a fund's Benchmark by measuring the standard deviation of their relative returns (fund taken as the numerator). A larger tracking error indicates greater positions were taken relative to a fund's benchmark than a lower tracking error would suggest.

Unit certificate

Certificate with no par value evidencing participation in an investment fund. The unit certificate embodies the unitholder's claim towards the fund management regarding a proportionate share in the fund's assets and earnings.

Unit trust

British term for investment fund.