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30 INVESTING TERMS *you need to know*

EQUITIES

Are shares in a listed company that trade on a domestic or international stock market. Equities are often referred to as 'stocks' or 'shares'.

A-REITS

Australian real estate investment trusts (A-REITs) – listed companies that own property assets. Also known as 'property securities'.

BONDS

Are a loan to a company or government for a fixed period and pay regular interest. On maturity, the principal is returned to the investor. Also known as 'fixed income securities' and 'debt securities'.

S&P/ASX 200 INDEX

A benchmark that consists of the biggest 200 listed companies in Australia. It is one of the main ways to measure the performance of the domestic equities market.

DOW JONES, S&P 500 & NASDAQ

The three most well-known benchmarks of listed companies in the United States. They are among the most quoted and watched financial barometers in the world.

FTSE 100

A benchmark that consists of the 100 largest companies on the London Stock Exchange. The FTSE 100 is one of the world's most followed indexes.

VOLATILITY

In the simplest sense, volatility measures how fast the price of an asset changes.

BULL MARKET

An advancing market characterised by enthusiastic and sustained buying. The opposite of a bear market.

BEAR MARKET

A market in which prices decline against a background of widespread pessimism. The opposite of a bull market.

ASSET ALLOCATION

Selecting and weighting different asset classes in an investment portfolio.

DIVERSIFICATION

The action of investing in different asset classes and securities in order to reduce risk.

BROKER

An intermediary between a buyer and seller of a financial instrument. They facilitate the purchase/sale for a fee or commission.

CURRENT PRICE

The price at which an asset (whether it's an equity, bond or A-REIT) is trading at the present time.

ASK PRICE

The price at which the holder of a security is prepared to sell that security. Also known as the 'offer price' or 'sell price'.

BID PRICE

The price at which the buyer is prepared to buy a security.

ORDER TYPE

The instruction attached to your order determining whether it is to be placed at a Market or Limit price. A Market Order lets you buy or sell at the best bid or ask price. With a Limit Order, you set a specific price.

ORDER DURATION

An instruction to your broker regarding the length of your order. You can set orders to expire at the end of a trading day (Good For Day), a particular date (Good For Date) or till you cancel it (Good Till Cancelled).

EXCHANGE TRADED FUND (ETF)

ETFs are investment funds usually designed to track the performance of an underlying index such as the S&P/ASX 200. ETFs are listed on the stock market and trade like shares.

LISTED INVESTMENT COMPANY (LIC)

LICs are listed companies that operate like a managed fund. They have a fund manager who is responsible for selecting and managing the company's investments.

INITIAL PUBLIC OFFERING (IPO)

When a private company lists on the stock exchange to raise funds by selling shares to investors. Also known as a 'float' or 'new issue'.

PROSPECTUS

A document issued when a company proposes to raise funds from investors.

BALANCE SHEET

A summary of a company's assets, liabilities and equity as of a specific date. Understanding balance sheets can help you learn more about the financial health of a company.

NET PROFIT AFTER TAX (NPAT)

An important number that shows how much money a company has made after all expenses have been accounted for.

EARNINGS SEASON

A period of time when many companies release their latest financial reports including figures such as NPAT. In Australia, earnings seasons happen around February, May, August and November. Also known as 'reporting season' and 'results season'.

DIVIDEND

A sum of money paid by a company (usually out of profits or reserves) as a reward for investing with them. In Australia, companies that do pay dividends usually pay them twice a year.

YIELD

The amount of income from an investment expressed as a percentage (calculated by dividing the dividend per share with the share price). For example, a 50-cent dividend on an equity trading at $10 represents a 5% yield.

TAKEOVER

A takeover occurs when one company makes a bid to assume control of or acquire another, often by purchasing a majority stake in the target firm. Also known as an 'acquisition'.

EXCHANGE

An exchange is place in which different investments are traded. In Australia, the most well-known exchanges are the Australian Securities Exchange (ASX) and Chi-X.

CHESS

Clearing House Electronic Subregister System - a system for recording share holdings in companies listed on the ASX and Chi-X.

ASIC

The Australian Securities and Investments Commission, Australia's corporate, markets, financial services and consumer credit regulator.

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