
Glossary

Performance and risk indicators

Performance calculation

The funds' cumulative performances are calculated with dividends reinvested. Annualised performance is calculated on an actuarial basis on an annual basis over 365 days. Differences in the performance of a fund relative to its benchmark are arithmetic differences. Statistical indicators are generally calculated on a weekly basis on Fridays, or the previous valuation day failing that.

Active Share

Measure of the percentage of securities in the portfolio that differs from the benchmark. A higher active share implies a greater difference in portfolio allocation vs the benchmark.

Jensen's alpha

Measure of the performance gap between the portfolio and the benchmark with a similar level of risk (adjusted for β). It measures the value of the fund or the manager's ability to "beat the market", also known as excess return.

Beta

β measures the sensitivity of the performance of a portfolio compared with that of its benchmark, i.e., when the benchmark varies by X%, the fund varies, on average, by a magnitude equal to $\beta \cdot X\%$.

Correlation coefficient

The correlation coefficient defines the degree of dependence between change in the performance of the portfolio and that of its benchmark. The closer it is to 1, the greater the degree of dependence. A negative correlation coefficient means that, on average, the portfolio will fluctuate inversely to its benchmark.

Duration

Duration is a measure of interest rate risk in bond instruments. Duration is expressed as the weighted average life of all flows (interest and principal).

Distance to bond floor

For convertible bonds, the value of the bond component. The distance to the bond floor represents the value of the conversion option into shares.

Average maturity

The average maturity is defined as the weighted average maturity (in years) of all cash flows (including principal repayments) resulting from an investment. It is therefore a measuring instrument used to assess the price sensitivity of an asset or portfolio to change in interest rates.

Maximum Drawdown

The maximum drawdown is the level of loss (in %) recorded on a fund during the worst period of decline over the period under review.

Sharpe Ratio

The Sharpe ratio measures the risk/return profile of the portfolio or benchmark. It is the difference between the annualised performance of the fund (or its benchmark) and the annual return based on the risk-free rate divided by the volatility of the fund (or its benchmark).

Information Ratio

The information ratio measures the over- or underperformance achieved by the manager when he deviates from the benchmark. It is equal to the difference in the annualised return of the portfolio relative to the benchmark divided by the tracking error.

Recovery Delay

Payback period of maximum drawdown: the time to clear the loss on the worst period of decline and return to the original level.

Yield to maturity

The yield to maturity of a bond is the real rate of return on the bond for an investor who keeps it until its redemption, assuming that the issuer will not default and assuming the reinvestment of interest at the same yield.

Equity sensitivity

For convertible bonds, equity sensitivity measures the percentage change in value induced by a change in the equity markets.

Credit sensitivity

Credit sensitivity is used to measure the risk associated with changes in credit spreads. The value of the portfolio is subject to change in the event of deterioration or improvement in the quality of issuers. Thus, a value of +2% for instance means that for an instantaneous 1% increase (respectively decrease) in spreads, the portfolio value would decrease (increase) by 2%.

Interest rate sensitivity

For convertible bonds, interest rate sensitivity measures the percentage change in value induced by a change in the interest rate.

Credit spread

The credit spread refers to the risk premium, or the difference between the yields on corporate bonds and government bonds with similar characteristics.

Turnover rate

The portfolio turnover rate is the sum of movements (purchases and sales of securities), less the amount of subscriptions/redemptions, based on the average net assets observed over the period.

Tracking-Error

Measure of the relative risk taken by a fund vs its benchmark. The tracking error is the volatility of relative performance, i.e. the annualised standard deviation of the arithmetic over- or underperformance of the portfolio vs its benchmark.

Ex-post Value at Risk (VaR)

Ex-post VaR is the maximum loss recorded by an investor factoring in an investment period and a confidence interval. Thus, a daily 1-year VaR of x% calculated with a confidence interval of 99% means that, over an observation period of 1 year, only 1% of daily performances were below x%.

Weighted Average Life (WAL)

For money market funds: weighted average life of the portfolio until the date of termination of financial instruments.

Weighted Average Maturity (WAM)

Weighted average maturity of the portfolio: measure of sensitivity of money market funds to interest rate risk.

Volatility

Volatility is a risk indicator that measures the magnitude of the variation of a portfolio (or benchmark) over a given period. It is calculated as the annualised standard deviation of absolute returns over a defined period.

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