fLAB Funds – Financial Terms Glossary

Active Risk

The risk that a fund's performance differs from its benchmark.

Alpha

The excess return generated by a fund compared to its benchmark.

Asset Allocation

The process of distributing investments across asset classes (such as equities, bonds, and cash) to balance risk and return.

Benchmark

A standard index used to compare a fund's performance. For global equities, this may include indices such as the MSCI ACWI.

Beta

A measure of how sensitive a portfolio is to overall market movements.

Bonds (Fixed Income)

Debt securities issued by governments or companies that pay interest and return capital at maturity.

Correlation

A measure of how different investments move in relation to each other.

Currency Exposure

The proportion of the fund invested in different currencies, which may affect returns.

Currency Hedging

A technique used to reduce the impact of exchange rate fluctuations.

Diversification

Spreading investments across assets, sectors, or regions to reduce risk.

Drawdown

The decline in the value of an investment from a peak to a trough.

Duration

A measure of a bond's sensitivity to changes in interest rates.

Dynamic Asset Allocation

An active strategy that adjusts asset allocation based on market conditions.

ESG (Environmental, Social, Governance)

Criteria used to evaluate investments based on sustainability and ethical factors. ESG data may be sourced from providers such as Bloomberg.

Factor Investing

An approach that selects securities based on characteristics such as Quality, Momentum, Value, and Low Volatility.

Geographical Allocation

The distribution of investments across different regions.

ISIN (International Securities Identification Number)

A unique identifier for each share class.

Liquidity

The ability to buy or sell investments quickly without significantly affecting their price.

Multi-Asset

An investment approach combining different asset classes within one portfolio.

Net Asset Value (NAV)

The value per share of a fund.

Performance Fee

A fee linked to the fund's performance, typically subject to a high watermark.

Sharpe Ratio

A measure of risk-adjusted return.

Subscription and Redemption

- **Subscription**: Buying shares in a fund
- **Redemption**: Selling shares back to the fund

Total Expense Ratio (TER)

The total annual cost of managing the fund.

Tracking Error

A measure of how closely a fund follows its benchmark.

UCITS

A European regulatory framework that allows investment funds to be marketed across the EU with strong investor protection rules.
(UCITS Directive)

Value at Risk (VaR)

A statistical estimate of the potential loss of a portfolio over a given time period at a certain confidence level.

Volatility

A measure of how much the value of an investment fluctuates over time.

Yield

The income generated by investments, expressed as a percentage.

Year-to-Date (YTD) Performance

The return of a fund from the beginning of the year to the present date.

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fLAB Funds – Types of Risks when you invest in our UCITS Funds

Market Risk

The value of investments may fluctuate due to economic developments, interest rate changes, and market sentiment.

Equity Risk

Equity investments may experience significant price fluctuations.

Interest Rate Risk

Changes in interest rates may affect the value of bonds, with rising rates typically leading to falling prices.

Credit Risk

Bond issuers may fail to meet their financial obligations, which could result in losses.

Currency Risk

Investments in multiple currencies expose the fund to exchange rate fluctuations. Hedging may not be fully effective.

Liquidity Risk

Certain market conditions may make it difficult to buy or sell assets, potentially affecting the fund's ability to meet redemption requests.

Asset Allocation Risk

Performance depends on allocation decisions between asset classes, sectors, or regions.

Active Management Risk

Investment decisions may not always produce the expected results and may lead to underperformance versus the benchmark.

Factor Risk

Investment factors (e.g., Quality, Momentum, Value, Low Volatility) may underperform over certain periods.

Tracking Error Risk

The fund may deviate from its benchmark due to its investment strategy.

Correlation Risk

Diversification benefits may be reduced if asset classes move in the same direction during market stress.

ESG Risk

The use of ESG criteria may limit the investment universe and affect performance.

Volatility Risk

The value of investments may fluctuate over time, potentially leading to losses.

Operational Risk

Failures in systems, processes, or external events may impact the fund.

All Risks are available in our Prospectus:

https://www.purecapital.eu/file/pdf/flab-prosp_compressed.pdf

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