



# Investment Glossary

This no-nonsense glossary aims to give simple, plain English explanations of typical words and phrases used in the investments industry

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This no-nonsense glossary aims to give simple, plain English explanations of typical words and phrases used in the investments industry – helping us all understand what we see and hear on a day-to-day basis.

## Aa

### Accelerator

Startup accelerators, also known as Seed accelerators, are fixed-term, cohort-based programs, that include mentorship and educational components and culminate in a public pitch event or demo day.

### Alternative Investment

An alternative investment is an investment in any asset class excluding stocks, bonds, and cash.

### AML (Anti-Money Laundering)

'Anti-Money laundering' (AML) refers to the laws, regulations and procedures intended to prevent criminals from disguising illegally obtained funds as legitimate income.

### Angel Investment

An angel investment is where an individual provides capital for a business start-up, usually in exchange for convertible debt or ownership equity.

### Appointed Representative

An Appointed Representative (AR) is a firm or individual who carries out regulated activities and acts as an agent for a firm authorised by the FCA. This firm is known as the ARs 'principal'.

## Appropriateness Test

Aimed at increasing investor protection, the Appropriateness Test helps firms determine whether their clients have enough knowledge and experience to understand the risks involved in a product offered or service demanded.

## Articles of Association

A company's Articles of Association (AoA) is a document that defines the responsibilities of the directors, the type of business undertaken and the means by which shareholders exert control over the board of directors.

## Assets Under Management

Assets Under Management (AUM) is the total value of any investments that a person or entity manages on behalf of its clients.

## Bb

### Burn Rate

The Burn Rate is when a new company is spending its venture capital to finance overheads before generating a positive cash flow from its operations. This is an indicator of negative cash flow.

## Cc

### CASS

CASS (Client Assets Sourcebook) is a regulation set out by the FCA that protects clients money and assets and is compulsory that financial service providers abide by these rulings.

### Co-Investment

A Co-Investment is a minority investment that is made directly into an operating company, alongside a financial sponsor or other private equity investor, in a leveraged buyout, recapitalisation or growth capital transaction.

## Convertible Loan Note

A Convertible Loan Note (sometimes known as a Convertible Note or CLN) is a type of short-term debt that is converted into equity shares at a later stage.

## Dd

### Dilution

Dilution is when a company issues new shares, diluting the percentage and value of an existing shareholders ownership of that company.

### Due-Diligence

Due Diligence is an audit to confirm facts outlined pre-investment. This entails a thorough examination of directors, staff, personnel and financial records before entering into a proposed transaction with another party.

## Ee

### EIS

EIS (Enterprise Investment Scheme) is an investment scheme exclusive to the UK that makes it easier for small, high-risk companies to raise capital.

### Equity

Equity represents the amount of money that would be returned to a company's shareholders in the event of all assets being liquidated and the company's debt being paid off in the case of liquidation.

## Ff

### FCA Authorisation

Under the Financial Services and Markets Act (FSMA) 2000, all financial activities must be regulated by the FCA. Unless exempt, all businesses, sole traders and not-for-profit organisations must receive FCA Authorisation before carrying out regulated financial service activities or offering credit to consumers.

### FSCS

The FSCS (Financial Services Compensation Scheme) is the UK's statutory deposit insurance and investors compensation scheme for customers of authorised financial services firms.

### Future Fund

The Future Fund provides government loans to UK-based companies ranging from £125,000 to £5 million, subject to at least equal match funding from private investors.

## Gg

### Growth Funding

A growth fund is a mutual high-risk, high-reward fund or exchange that includes companies primed for growth at a pace that is faster than that of either their peers or market.

## Hh

### High-Net-Worth Investor

High-net-worth individual (HNWI) is a person or family with liquid assets above a certain figure. The term is often used by the financial services industry. Although there is no precise definition of how wealthy an investor must be to fit into this category, high net worth is generally quoted in terms of having liquid assets of a particular number. The exact amount differs by financial institution and region but could range from people with a net wealth of 6 or more figures.

## Ii

### Impact Investor

Impact investing is where investments are made into companies, organisations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return. Impact investments provide capital to address social and/or environmental issues.

### Incubator

Business Incubators provide start-ups and early-stage businesses with the support and resources those young companies find difficult to access. Their support might involve access to networks, investors and mentors, or co-working space alongside other businesses and experienced professionals.

### Institutional Investor

An institutional investor is a company or organisation that invests money on behalf of other investors or people.

### Investment Committee

The Investment Committee is the leading authority when it comes to developing investment objectives and policies within an organisation.

## Kk

### KYC (Know Your Customer)

The 'Know Your Customer' (KYC) guideline in financial services requires that professionals make an effort to verify the identity, suitability, and risks involved with maintaining a business relationship.

## LI

### Lead Investor

A Lead Investor is an individual or group who leads a round of investment. Those in the round will appoint an individual, not necessarily based on wealth or their investment amount, who can add the most value and experience to lead the investment overall.

## Nn

### NDA

An NDA (non-disclosure agreement) is a legal contract between multiple parties that outlines a relationship on which confidential information is to be shared. Once signed, any information shared should be kept within the agreement and strictly not made available for others.

## Pp

### Post-Money Valuation

A pre-money valuation refers to the value of a company before it goes public or receives other investments, essentially how much it is worth before anything is invested into it.

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### Pre-Money Valuation

Pre-seed funding, also known as pre-seed capital or money, is a small investment that is made in order to get a business up and running.

## Private Equity

Private equity is a type of alternative investment that consists of capital not listed on a public exchange. Private Equity is made up of funds and investors that invest in private companies or buy out public companies.

## Private Investment

A private investment is a person or company that invests their own money into a company, with the goal of helping that company succeed and getting a return on their investment.

## Rr

### Restricted Investor

An investor who has not invested (and will not invest) more than 10% of their net assets per year in shares, bonds, fund or other securities that are not listed on a stock exchange.

## Ss

### SaaS Metrics

SaaS Metrics are benchmarks that investors use to measure growth. Like traditional KPIs, SaaS metrics help investors gauge the success of their company or investment to-date, and effectively determine their market positioning.

### Seed Funding

Seed funding is the money raised to help develop an idea for a business, new product or venture.

### SEIS

Seed Enterprise Investment Scheme (SEIS), investors, including directors, can receive initial tax relief of 50% on investments up to £100,000 and Capital Gains Tax (CGT) exemption for any gains on the SEIS shares.

## SITR

SITR (Social Investment Tax Relief) is a UK government tax relief initiative which encourages individuals to support social enterprises and help them access new sources of finance. Investors can claim up to 30% income tax relief on their investments.

## Sophisticated Investor

A sophisticated investor is a type of investor who has sufficient capital, experience and net worth to engage in more advanced types of investment opportunities.

## Tt

### Term Sheet

A Term Sheet is a non-binding agreement that outlines the initial terms and conditions under which an investment will be made.

## Vv

### VCT

A VCT (Venture Capital Trust) is a publicly-listed, closed-end fund in the UK to enable individual investors to gain access to venture funds.

### Venture Builder

Starting with an idea and transforming it into a fast growing business, a Venture Builder is a company that creates its own enterprises and ventures.

### Venture Capital

Venture capital is a form of private equity financing that is provided by venture capital firms or funds to startups, early-stage, and emerging companies that have been deemed to have high growth potential or which have demonstrated high growth.

**Ww**

## WIP Report

WIP Report (Work-in-Progress) is an accountable report that is used to track the progress and financial performance of a company.



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