

- **Accrued interest:** Interest that has accumulated between the most recent payment and the sale of a bond or other fixed-income security
- **Advisor:** The person or company responsible for making investments on behalf of, and/or providing advice to investors.
- **Affiliate:** An inter-company relationship where one company owns less than a majority of shares in the other company.
- **Agent:** An individual or firm that places securities transactions for clients.
- **Allotment:** This is the number of shares allocated to each participating underwriting firm during the Initial Public Offer (IPO) that they are allowed to sell.
- **Analyst:** A financial professional who has expertise in evaluating investments and puts together "buy", "sell" and "hold" recommendations for securities. Also known as a "financial analyst" or a "security analyst".
- **Annual Rate of Return:** The annual rate of gain or loss on an investment expressed as a percentage.
- **Applicant Company:** the company wishing to list on MSM or issuing to the public or applying to list or issue to the public
- **Appreciation:** An increase in the value of an investment.
- **Ask (offer):** The price at which the seller is willing to sell a security. Along with the price, the ask quote will generally also stipulate the amount of the security willing to be sold at that price.
- **Asset Allocation:** The diversification of investments among several asset classes.
- **Asset Class:** A category of investments, such as shares, bonds, or cash equivalents.
- **Asset:** Anything having commercial or exchange value that is owned by an individual, institution, or business.
- **Authorized Member:** A person sanctioned by MSM to carry on any business dealings with MSM
- **Bankruptcy:** Inability to pay debts.
- **Beta:** The measure of an asset's risk in relation to the market or to an alternative benchmark
- **Bid:** The price a potential buyer is willing to pay for a security.
- **Block admission:** Admission of a specified number of admitted securities, which are to be issued from time to time;

## *GLOSSARY OF COMMON INVESTMENT TERMS*

---

- **Bond covenant:** A contractual provision in a bond indenture. A positive covenant requires certain actions, and a negative covenants limits certain actions
- **Bond indenture:** A contract that sets forth the promises of a bond issuer and the rights of investors.
- **Book runner:** The managing underwriter for a new issue. The book runner maintains the book of securities sold.
- **Broker:** A person (individual or firm) that arranges trade and charges a fee or commission for executing buy and sell orders submitted by an investor.
- **Brokerage account:** An account of broker held with the settlement agent for purpose of dealing with client funds and trading fees.
- **Build a book:** In the context of general equities, develop customer orders to gather demand demand/supply in order to make a bid or an offer.
- **Capital gains:** Any gain realized from the sale of a capital asset. The difference between the net sales price of the securities and their net cost or original basis.
- **Capital Loss:** The loss in the value of an investment, calculated by the difference between the purchase price and the net sale price.
- **Capital market:** The market in which buyers and sellers, including institutions, banks, governments, corporations, and individuals, trade debt and equity securities
- **Capital Preservation:** An investment goal or objective to keep the original investment amount (the principal) from decreasing in value.
- **Capitalization:** The total market value of a company's outstanding equity.
- **Cash dividend:** A dividend paid in cash to a company's shareholders. The amount is normally based on profitability and is taxable as income.
- **Cash Equivalents:** Short-term securities, such as Treasury bills, money market funds, or short-term bank certificates of deposit that provide safety and liquidity but historically have only marginally outpaced inflation in terms of return.
- **Cash ratio:** A proportion of a company's assets held as liquid cash
- **Client:** Any person or business that uses the services of a member
- **Closing price:** The last traded price on the Securities Market
- **Collateral:** Securities or other property that a borrower pledges as security for the repayment of a loan.
- **Commercial Paper:** Short-term, unsecured, negotiable promissory notes issued by businesses.

## *GLOSSARY OF COMMON INVESTMENT TERMS*

---

- **Commission:** Compensation paid to a broker or other salesperson for his or her role when investments are bought or sold.
- **Coupon Rate:** The annual rate of interest that the issuer of a bond promises to pay to the holder of the bond.
- **Coupon Yield:** The annual interest rate of a bond divided by the bond's face value and stated as a percentage. This usually is not equal to the bond's current yield or its yield to maturity.
- **Credit Analysis:** A critical review and appraisal of the economic and financial condition of a government agency or a company. Evaluates the issuing entity's ability to meet its debt obligations, and the suitability of such obligations underwriting or investment.
- **Credit rating:** An evaluation of a company's ability to repay obligation or its likelihood of not defaulting.
- **Credit risk:** The risk that an issuer of debt security or a borrower may not honor its obligations or that the payment may not be made on a negotiable instrument
- **Cross-books transaction:** The transaction where the same broker appears on both the buy and sells side of a transaction.
- **Current Maturity:** The amount of time left until an obligation fall due or matures.
- **Current Yield:** The coupon payments on a security as a percentage of the security's market price. In many instances the price should be gross of accrued interest, particularly on instruments where no coupon is left to be paid until maturity.
- **Date of issue:** Used in the context of bonds to refer to the date on which a bond is issued and when interest beings to accrue to the bondholder. Used in the context of shares to refer to the date trading begins on a new shares issued to the public.
- **Dealer:** A person or firm in the business of buying and selling securities under its own name or account, whether through a broker or otherwise.
- **Debt security:** Any instrument creating or acknowledging indebtedness issued or proposed to be issued by a company including a debenture, loan stock, bond or note.
- **Diversification:** The practice of spreading money among different investments to reduce risk, such as investing in different companies in various industries or in several different types of investments.

## *GLOSSARY OF COMMON INVESTMENT TERMS*

---

- **Dividend:** A portion of a company's profit paid to ordinary and preferred shareholders. The amount an investor receives is based on the number of shares owned.
- **Dual listing:** Listing of a security on more than one exchange, thus increasing the competition for bid and offer prices, the liquidity of the securities, and the length of time the securities can be traded daily.
- **Earnings per share:** A company's profit divided by number of common outstanding shares.
- **Earnings per share:** A company's profit divided by its number of common outstanding shares
- **Fund Manager:** a body corporate licensed by the Registrar which, pursuant to a contract or arrangement with a client, undertakes on behalf of a client ( whether on a discretionary authority granted by the client or otherwise) the management of a portfolio of securities for the purpose of investment
- **Initial Public Offering:** The primary sale of securities by a private company to the public. IPOs are often issued by smaller, younger companies seeking the capital to expand, but can also be done by large privately owned companies looking to become publicly traded.
- **Investment Company:** A company that issues securities and is primarily engaged in the business of investing in securities.
- **Investment Objective:** The goal that an investment fund or investor seeks to achieve (e.g., growth or income).
- **Investment Risk:** The possibility of losing some or all of the amounts invested or not gaining value in an investment.
- **Investment:** Shares, bonds, mutual funds, or other asset that offers investors the potential of profitable returns.
- **Issuer:** A company which offers securities to the public
- **Liquidity:** The ability to readily turn an asset into cash.
- **Listed securities:** Securities listed or quoted on a licensed securities exchange
- **Market capitalization:** The total Maluti value of all outstanding shares. Computed as shares multiplied by the current market price. Capitalization is a measure of corporate size
- **Market Value:** (1) The price at which a security is trading and could presumably be purchased or sold. (2) What investors believe a firm is worth; calculated by

## *GLOSSARY OF COMMON INVESTMENT TERMS*

---

multiplying the number of shares outstanding by the current market price of a firm's shares.

- **Outstanding:** Used in the context of general equities. Shares held by shareholders (verses the company's treasury shares).
- **Over the counter market:** A decentralized market (as opposed to an exchange market) where geographically dispersed dealers are linked by telephones and computers. The market is for securities not listed on a securities exchange.
- **Oversold:** Used in the context of general equities. Technically too low in price, and hence a technical correction is expected. Antithesis of overbought
- **Oversubscription:** The excess number of shares or bonds that investors want to buy but are not available due to high demand.
- **Prospectus:** A formal legal document, which is required by and filed with the Registrar of Companies that provides details about an investment offering for sale to the public. A prospectus should contain the facts that an investor needs to make an informed investment decision.
- **Securities:** Assets, such as shares, bonds, etc., that allows the investor to participate in earnings, distribution of property, or other assets of the corporation issuing the security.
- **Settlement agent:** A commercial bank designated by a broker as its settlement bank and with whom a brokerage account is held
- **Share:** A representation of ownership interest in a company.
- **Share:** Part ownership of a company, which represent a proportional claim of the company's assets and earnings.
- **Shareholder:** An investor who owns shares in a company or mutual fund.
- **Sponsor:** Is a person or an entity that is licensed by the Registrar to carry on the business of advising and guiding the company seeking to list on Maseru Securities Market
- **Trade order:** an instruction by the client to the broker to buy or sell securities;
- **Treasury shares:** are shares that have been bought back by the issuing company and available for redemption or resale, these are issued but not outstanding.
- **Turnover:** The total value of securities purchased or sold during the period
- **Underwriting:** A process of packaging and selling a security on behalf of a client. This function is normally performed by investment banks.

## *GLOSSARY OF COMMON INVESTMENT TERMS*

---

- **Unit trust:** A trust formed to manage a portfolio of stock exchange securities, in which small investors can buy units.