Grantley Speaking

Episode 8: Productive Investment

1. **Mutual funds** - A mutual fund is a way for many people to pool their money and buy stocks, bonds or other securities. Mutual funds are divided into shares and each investor in the fund buys a number of shares that corresponds to the amount of money invested. Investors therefore participate proportionally in the gains or losses of the fund. The price of each share is known as the Net Asset Value (NAV). The NAV is simply the total value of the securities the fund owns divided by the number of the fund's shares outstanding.

2. **Investment** - An asset or item acquired with the goal of generating income or appreciation. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit.

3. **Diversification** - Diversification can be neatly summed up as, "Don't put all your eggs in one basket." The idea is that if one investment loses money, the other investments will make up for those losses. Diversification can't guarantee that your investments won't suffer if the market drops. But it can improve the chances that you won't lose money, or that if you do, it won't be as much as if you weren't diversified.

4. **Return** - A return, also known as a financial return, in its simplest terms, is the money made or lost on an investment.

5. **Productive investment** - Productive investment is when businesses or governments spend on new technology, infrastructure and ideas that will increase the capacity of the economy.

6. **Deficit** - The amount by which something, especially a sum of money, is too small. A deficit can occur when a government, company, or individual spends more than he, she, or it receives in a given period.

7. **Fixed Exchange Rate** - A fixed exchange rate is a regime applied by a government or central bank that ties the country's currency official exchange rate to another country's currency or the price of gold.

8. **Foreign Reserves** - Foreign reserves refers to foreign currency that a government or central bank holds.

9. **Sustainable economic growth** - A rate of growth which can be maintained without creating other significant economic problems, especially for future generations.

10. **Intermediation** - The process performed by banks of taking in funds from a depositor and then lending them out to a borrower.

11. **Venture capitalists** - A venture capitalist (VC) is an investor that provides capital to firms exhibiting high growth potential in exchange for an equity stake. The VC will buy a stake in these firms, nurture their growth and look to cash out with a substantial return on investment.

12. **Debt or Equity funding/financing** - Debt financing is where you borrow money from a lender that you'll eventually pay back, plus interest. While equity financing is where you trade ownership of your

business to angel investors or venture capitalists - in return for their capital.

13. **Institutions for funding businesses in Barbados** – While it is not an exhaustive list, the Barbados Industrial Development Corporation (BIDC) has a list of available funding options on their website. http://www.bidc.org/entrepreneurs/preparing-business/financing-your-business

14. **(Investment) Vehicle** – An investment vehicle refers to any method by which individuals or businesses can invest and, ideally, grow their money. There are varied types of vehicles and many investors choose to hold a mixture to help diversify their portfolios and minimise risk. They include items such as term deposits, bonds, stocks, annuities, collectibles, and mutual funds among others

15. **Long term** - This refers to the extended period of time that an asset is held. Long-term investing for individuals is often thought to be in the range of at least seven to ten years of holding time, although there is no absolute rule.

16. **Growth Account** - **Growth Fund** - A growth fund is a diversified portfolio of stocks that has capital appreciation as its primary goal, with little or no dividend payouts. Growth funds are one of the main types of mutual funds.

    The **Fortress Caribbean Growth Fund** invests in equities in the Caribbean and around the world. The level of risk is moderate, and the fund seeks to provide attractive returns over the long-term. This fund is ideal for you if you have at least a five-year time horizon and want to enjoy the highest potential returns while limiting your risk. Investors can open a Fortress Caribbean Growth Fund account with a $100 minimum ("a *Grantley"*) investment.

17. **Set it and forget it/Fire and forget** – Also known as d**ollar cost averaging,** this is a strategy whereby an investor buys the same dollar amount of an investment at regular intervals. A monthly savings plan is one way to achieve this, usually through a pre-arranged automatic salary deduction or direct debit. The idea is to reduce the effect of short-term market volatility over time.

18. **Direct debit** - This is an instruction from you to your bank. It authorises the organisation you want to pay to collect specified amounts from your account. The money is then deducted from your account automatically at the regular intervals you have identified.

Definitions extracted from:

www.360financialliteracy.org
www.barbadosentrepreneurshipfoundation.org
www.businessdictionary.com
www.directdebit.co.uk
www.economicsonline.co.uk
www.entrepreneur.com
www.investopedia.com
www.marketbusinessnews.com