***Useful Terms***

**Accelerators** are business support programs that provide intensive support to young firms to help them grow. They use competitive entry and typically, target start-ups aged 3-6 months for a year. Maybe non-profit, although often operated by venture capital firms who take equity in participating firms.

**Angel investment** is money provided by an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity.

**Asset** are things that have a value and can be sold in financial markets for a monetary value.

**Asset class** is a group of comparable investments that are grouped together based on having a similar financial structure and are traded in the same financial markets, subject to the same rules and regulations.

**Capital** is the use of assets to generate wealth.

**Entrepreneur** is an individual who runs a business and assumes all the risks and rewards of a given business venture, idea, or good or service offered for sale.

**Entrepreneurial ecosystem** is the interaction that takes place between a range of institutional and individual stakeholders so as to foster entrepreneurship, innovation and SME growth.

**Financial markets** distribute income generated by activity and do not add to that income.

**Gazelle/High Growth Firm**: No single definition but most agree that a firm that is able to increases its revenues by at least 20 per cent annually for three years or more.

**Impact investment** is investment that aims to achieve positive and measurable social or environmental impact, as well as financial return.

**Incubators** are business support programs that provide intensive support to young firms (1-5 yrs) to help them grow. Typically use non-competitive entry and offer light-touch support sometimes for a fee.

**Innovation** is the implementation of a new or significantly improved product, process, new marketing method or a new organisational method in business practices.

**Innovation ecosystem:** is the flow of technology and information among people, enterprises, and institutions central to an innovative process. It contains the interactions between the actors needed in order to turn an idea into a process, product, or service on the market.

**Innovation hubs** are social communities or workspace or research centres that provide subject-matter expertise on technology trends, knowledge and strategic innovationmanagement, and industry-specific insights. Include incubators and accelerators.

**Investment** is what happens when a producer either acquires a fixed asset or spends resources (money, effort, raw materials) to improve it.

**Investor** is any individual or entity (such as a firm or mutual fund) who commits capital with the expectation of receiving financial returns through income or capital appreciation.

**Social impact bond** is a contract with the public sector or governing authority, whereby it pays for better social outcomes in certain areas and passes on the part of the savings achieved to investors.

**Start-up** is a saleable new firm that is working to solve a problem and capitalize on developing a product or service which they believe there is demand for.

**Venture capital:** is money provided by professionals who invest alongside management in young, innovative rapidly growing firm in exchange for equity. Investments are typically high risk and short to medium term, with the intended return on investment is mainly in the form of capital gains.

***Useful Questions***

**Why is it important to understand asset classes for investment attraction?**

Understanding asset classes allows businesses and governments to become more targeted in how they design investments and investors they engage with.  The following offers a list of preliminary questions to help design and attract investment opportunities:

**Investment design**

* How does the investor exit the investment?
* How is the investment structured?
* What are the standard industry/regulation terms?
* How is the market performing overall in the asset class?
* Where is the investment located?
* What markets to you want to enter/expand into?
* Are there any social or environmental goals associated with the investment?
* What is the time horizon for the investment?
* How long will it take to realise the value of an investment?
* Are there any tax advantages to the investment?
* Is there a diversification element to the investment?
* What is at the heart of the business’ competitive advantage or intellectual property?
* Does the business own/ have rights to the competitive advantage or intellectual property?

**Asset classification**

* Which asset class is the investment in?
* Can it be classified into a sub asset?
* What is the risk?
* How liquid is the investment?
* What is the reward? i.e. valuation metrics such as earnings-per-share growth or the price-to-earnings ratio or growth – market size?
* What is the market capitalisation (how big is the firm and its tradeable stock)?
* Is there an income stream?

**Investor classification**

* Who invests in this asset /sub asset class?
* Is the investor local, domestic or international based?
* What scale of investment do they offer?
* What other benefits does the investor bring? E.g. market assess/market knowledge/ growth knowledge?
* What level of involvement do you want an investor to have /do they want active or passive?