

Understanding Your Investment Performance

There are different ways to measure returns for assets. Understand which method is being used when reviewing your investment performance.

YOUR RATE OF RETURN







 GAIN OR LOSS ON AN INVESTMENT	 OVER A SPECIFIED TIME PERIOD	 EXPRESSED AS A PERCENTAGE
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REVIEWING YOUR RETURNS

There are a number of ways to calculate an investment rate of return. Time-Weighted and Money-Weighted are two calculation methods that investors see when looking at their asset performance.

Time-Weighted Return (TWR)

Money-Weighted Return (MWR)

 <p>Measures the compound rate of growth in an investment as seen in the newspaper and online.</p>	 <p>Measures the investor's specific returns as seen on their statement. It's a Personal Rate of Return.</p>
 <p>Eliminates the effects created by deposits and withdrawals of cash.</p>	 <p>Incorporates the size of the investor's deposits and withdrawals.</p>
 <p>Used to evaluate the returns of the investment manager.</p>	 <p>Incorporates the timing of deposits and withdrawals of cash.</p>

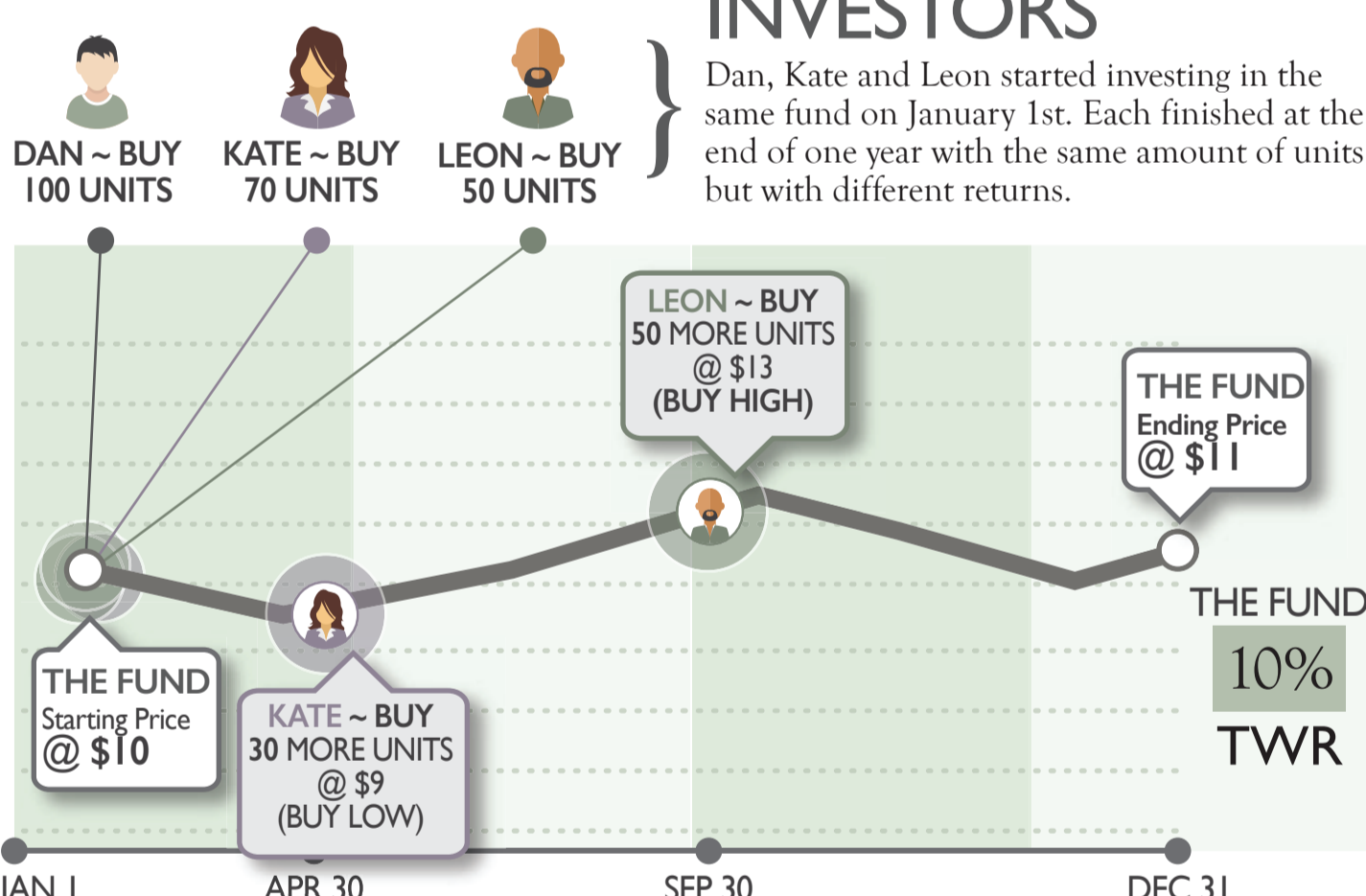
The Annual Performance Report that you will receive for the period ending December 31, 2016 will reflect returns calculated using the money-weighted calculation method.




The Impact of Investor Behaviour

Investor behaviour can have a significant impact on Money-Weighted Returns

INVESTORS

Dan, Kate and Leon started investing in the same fund on January 1st. Each finished at the end of one year with the same amount of units but with different returns.



 <p>DAN BUY & HOLD 100 UNITS</p> <p>10% TWR 10% MWR</p> <p>Dan's buy and hold strategy yielded him the same results as the fund. Cash flows are not a consideration so the TWR and the MWR are the same.</p>	 <p>KATE BUY LOW 100 UNITS</p> <p>10% TWR 15% MWR</p> <p>Kate bought additional units of the fund while it was underperforming, resulting in her MWR being higher.</p>	 <p>LEON BUY HIGH 100 UNITS</p> <p>10% TWR -7.5% MWR</p> <p>Leon bought additional units of the fund at a higher price, which caused his MWR to be lower.</p>
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THE TIMING AND SIZE OF INVESTMENTS MAKES A DIFFERENCE
 Each investor finished with the same amount of units of The Fund. Although their Time Weighted Returns are the same, their Money Weighted Returns (or Personal Rate of Returns) are very different.

Contact your Advisor today

Learn more about your personal rate of return and how the timing and size of your investments contribute to your portfolio's overall performance.



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