

## DAILY VALUATION CALCULATION EXPLAINED

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This method produces a true time weighted rate of return. The formulation is as follows:

$$R = (S1 \times S2 \times \dots \times Sn) - 1$$

**Where:**

$S_i = MVE_i / MVB_i$

MVE<sub>i</sub> = Market Value at the end of sub period.

MVB<sub>i</sub> = Market Value at the beginning of sub period.

Sub period is defined from "Cash Flow" to "Cash Flow".

Below is an example of transactions for Fund B held by John Smith.

Type	Units	Price	Total	MVB <sub>i</sub>	MVE <sub>i</sub>
Buy	100	\$10.00	100	\$0.00	\$1,000.00
Buy	10	\$11.00	110	\$1,000.00	\$1,210.00
Sell	-25	\$10.50	85	\$1,210.00	\$892.50
Dividend	5	\$12.00	90	\$892.50	\$1,080.00
Buy	40	\$9.50	130	\$1,080.00	\$1,235.00
Sell	-30	\$11.00	100	\$1,235.00	\$1,100.00

$$R = (S1 \times S2 \times \dots \times Sn) - 1$$

$$= ((0/1000) \times (1000/1210) \times (1210/892.5) \times (892.5/1080) \times (1080/1235) \times (1235/1100)) - 1$$

$$= (1 \times 1.21 \times 0.738 \times 1 \times 1.144 \times 0.891) - 1$$

= -9% (The Daily Valuation is -9%)