Understanding your investment return

Two ways to calculate a rate of return are **time-weighted return** and **dollar-weighted return**.

Both are valid methods with different applications. A time-weighted rate of return helps in evaluating the performance of a fund or how a portfolio manager has performed.

A dollar-weighted rate of return helps in evaluating the overall performance of an account after your personal account activities, such as contributions and withdrawals have been factored in.

As an investment fund manager, Fidelity uses the time-weighted methodology when reporting returns of the funds we manage.

Comparison: Time-weighted vs. dollar-weighted return

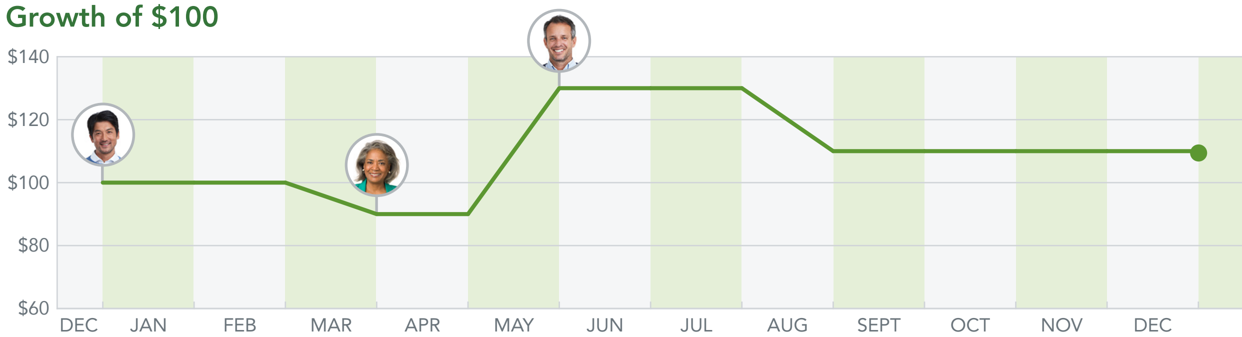
RETURN TYPE	WHAT IT MEASURES	BEST FOR EVALUATING	ANSWERS THE QUESTION(S)
Time-weighted (investment return)	▪ Investment return for a specific period.	▪ The performance of the **specific investment or portfolio manager**. ▪ Comparing two different investments.	▪ How did the investment perform during a specific period? ▪ How did the portfolio manager perform?
Dollar-weighted (personal rate of return)	▪ Account return, including: 1. changes in the account value and 2. the impact of the amount and timing of contributions and withdrawals.	▪ Personal return factoring in the impact of contributions and withdrawals.	▪ What was **my personal return**, factoring in the contributions/withdrawals that I made during a specific period?

Case study: Same investment, three different dollar-wighted return experiences

Let's consider the following hypothetical example of three investors. Tom, Jill and Adam all purchased shares of a mutual fund (Fund A).

Fund A started the year at a price of $10 per unit. It then moved down and up before closing the year at $11 per unit. The fund's investment return for the year is 10%.

Growth of $100



As shown in the table below, the time-weighted return is identical for all three investors. However, the dollar-weighted rate of return varies for each investor according to the size and timing of their contributions and withdrawals.

	TOM 	JILL 	ADAM 
STARTING INVESTMENT	**$100**	**$50**	**$20**
ADDITIONAL PURCHASES DURING THE YEAR	$0	$50 (March 31)	$80 (May 31)
TOTAL AMOUNT INVESTED	**$100**	**$100**	**$100**
TIME-WEIGHTED (INVESTMENT RETURN)	10%	10%	10%
DOLLAR-WEIGHTED (PERSONAL RATE OF RETURN)	10%	19%	-15%
ENDING ACCOUNT VALUE (INVESTMENT RETURN +/– CASH FLOWS)	$110	$116	$90

Time-weighted return and dollar-weighted return are two different ways to measure the return experience of an investment. If you want to know what return your account realized when you factor in the timing and magnitude of cash flows, the dollar weighed return method is the right one to use. If you want to evaluate the performance of your investment or investment manager, independent of your own activities, a time-weighted return is more appropriate.

For more information, contact your financial advisor or visit *fidelity.ca*

Read a fund's prospectus and consult your financial advisor before investing. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. Investors will pay management fees and expenses, may pay commissions or trailing commissions and may experience a gain or loss. For illustrative purposes only.

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