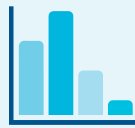


UNDERSTANDING PERFORMANCE ON YOUR ACCOUNT STATEMENT

Understanding how your mutual funds are doing is an important part of making informed decisions. But evaluating performance can sometimes be confusing.

Let's begin by explaining two key values you are likely to see on an account statement.



MARKET VALUE:

This is the current value of an investment at which it can be sold.

$$\begin{array}{r} \text{Net asset value (NAV)} \\ \times \quad \quad \quad \# \text{ units held} \\ \hline \text{MARKET VALUE of mutual fund} \end{array}$$



BOOK VALUE:

Also known as adjusted cost base (ACB): This is the cost of an investment used for tax purposes; this figure helps to prevent double taxation.

$$\begin{array}{r} \text{initial investment} \\ + \text{ reinvested distributions} \\ + \text{ subsequent purchases} \\ - \text{ withdrawals} \\ \hline \text{BOOK VALUE or ACB} \end{array}$$

A common mistake that is made when looking at an account statement is to compare “**book value**” to “**market value**” to determine how well an investment performed.

Market Value less Book Value DOES NOT equal Performance

Market value represents the current value of an investment. And book value represents your original investment only when you make your initial purchase of units in a fund. Over time, however, the book value changes to include additional purchases or withdrawals and reinvested distributions.

Therefore, when you compare the book value to market value on your statement, the book value (inflated by reinvested distributions) makes it appear that the fund has not performed as well as it may have.

Example:

Here is an example to illustrate how using book value to evaluate performance can be misleading. Let's say you purchased 1,000 units in a mutual fund at a \$10 NAV (for a total cost of \$10,000). A year later, the unit price of the fund was \$10 again. Over that year, the fund generated \$0.50 per unit in distributions.

If distributions are reinvested:

Your Statement				
Investment	Units Held	Price per unit	Market Value	Book Value (or ACB)
Mutual Fund XYZ	1,050	\$10.00	\$10,500	\$10,500

Units held (1,050) x price per unit (\$10)

Initial Investment (\$10,000) + Reinvested Distribution (\$500)

Comparing the book value of \$10,500 to the market value of \$10,500 may lead you to believe your investment did not earn anything (0%), when in fact it grew by \$500 (or +5%).

If distributions are paid out in cash:

Your Statement				
Investment	Units Held	Price per unit	Market Value	Book Value (or ACB)
Mutual Fund XYZ	1,000	\$10.00	\$10,000	\$10,000

Units held (1,000) x price per unit (\$10)

Initial Investment (\$10,000) + Reinvested Distribution (\$0)

Comparing the book value of \$10,000 to the market value of \$10,000 may lead you to believe your investment did not earn anything (0%), when in fact you received \$500 in cash (or +5%).

Bottom line

When determining how well a mutual fund investment has performed, it is important to compare the market value on your statement to your initial investment and take into account any subsequent purchases or withdrawals.

And, of course, it is best to speak to your financial advisor – they are in the best position to explain to you how your investments have performed and help you make the right decisions to reach your goals.

Contact your financial advisor for more information.

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