



# Account and investment performance guide

Account and investment performance (sometimes known as the rate of return) is an indication of the gain or loss over a period of time for an account or an individual investment option.

This guide has been put together to provide you with an explanation of how Expand calculates performance.

## How is account and investment performance calculated?

Performance is calculated by dividing the income and change in market value of the account or investment by the weighted average amount invested during the period.

The following information is used to calculate performance:

- **Opening balance** – the balance of the account or investment at the start date.
- **Closing balance** – the balance of the account or investment at the end date.
- **Redemptions** – all redemptions from the account during the report period, including tax, insurance premiums and pension payments.
- **Purchases** – the sum of all contributions, rollovers and deposits (as applicable) during the report period.
- **Sells** – all sell transactions from an investment during the report period.
- **Buys** – all buy transactions into an investment during the report period
- **Income** – all distributions/dividends that have been received within the period.
- **Growth** – the change in account value for the period after allowing for purchases and redemptions.
- **Reporting period** – the number of days between the start and end dates selected.
- **Days held** – the number of days in the reporting period from when the investment was first held until the reporting end date.

Performance is calculated for a 12 month period to the current date. If an account or investment is less than 12 months old, the performance will be calculated from the inception date or purchase date.

For the formulae that Expand uses, along with examples, please refer to the 'Account and investment performance formulae and examples' on pages 3 to 5.

## Consolidated or Portfolio view

Performance can be calculated using a consolidated or portfolio view.

**Consolidated view** – investments held and performance calculations are returned at the whole of account level. Investments held as part of a managed account are not segregated from platform investments.

**Portfolio view** – investments held and performance calculations are returned with managed account model portfolios segregated from other platform investments. This view is available in the Performance report by selecting 'Display managed accounts' from the reporting menu.

**Managed Account** – refers collectively to Separately Managed Account (SMA) and Managed Discretionary Account (MDA).

## Why is the performance displayed for periods less than 12 months exaggerated when compared to a longer time frame?

Performance for 12 months or more is shown as a percentage per annum compound. Performance for less than one year is not annualised and instead shows the total return achieved for that period.

## How is account and investment performance calculated where there have been multiple periods of investment(s)?

Where there have been multiple periods of investment (ie the account or investment has had a zero balance one or more times during the total period), the performance calculation produces an approximate average performance over the period of investment. For example, where an account or investment achieved a performance of 2 per cent for a period (of less than a year), had no balance for a period, and then achieved a performance of 4 per cent for a subsequent period (of the same length as the first period), an approximate average performance of 3 per cent will be shown.

## How is investment performance for cash investments calculated?

Interest on cash investments, including the Cash Account, is calculated by dividing the sum of all the daily interest rates in the reporting period by the number of days in the reporting period.

For other cash investments, such as maturing investments, the applicable interest rate is displayed.

The below information is used to explain the cash account investment performance calculation.

**Cash Account** – refers to the platform Cash Account. When accessing a consolidated view this includes MDA cash account.

**SMA Cash Account** – refers to the SMA Cash account. Also referred to as 'Model Cash' under the SMA heading on the Portfolio online view.

Where the account has not been open for 12 months, Cash Account interest is calculated by dividing the sum of daily interest rates since inception, by the number of days since inception. In portfolio view the Cash Account for MDAs uses the date bought into the MDA instead of account inception.

SMA Cash is annualised where the account has not been open for 12 months. In portfolio view SMA cash interest is calculated for the selected period, by dividing the sum of all the daily interest rates in the reporting period, by the number of days in the reporting period. Where the SMA has not been held for the entire period, interest is calculated from the date the SMA was originally bought.

Note, interest calculation assumes that the cash account/ SMA Cash has been held continuously and does not consider if any negative balances were held during the period.

## Is the performance displayed for each investment option held gross or net of fees and taxes?

The investment performance displayed for each investment option is net of any indirect cost ratio, transaction costs or performance fees of the underlying investments but is

gross of ongoing fees, expenses and taxes for the account. The ongoing fees and expenses are applied to the account as a whole, rather than each investment held. The account performance is net of ongoing fees and expenses.

## Why is the performance displayed differently when I compare two accounts with exactly the same investment holdings and account allocations?

The performance calculation takes into account all transactions (such as redemptions, purchases and income) that occurred during the period for each account.

These transactions are given a weighting to more accurately reflect the impact the transaction has on the earning capacity of the account. For example, a transaction that occurs at the beginning of the period will have a greater weighting than a transaction that occurs near the end of the period.

This means that the performance will differ for each account as they would have had different transaction amounts and timing during the selected period.

## What are pending transactions and are these transactions included in performance calculations?

A pending transaction is an investment buy or sell that has not been finalised with the fund manager or broker. These transactions are included in the current state until the transaction is completed. For example, a pending sell from Fund A will be considered as part of Fund A until the transaction is completed.

## Why is investment performance not displayed for a term deposit?

Term deposits have a fixed rate of return for a fixed term. No calculation is required. The interest rate applicable will be displayed as part of the term deposit name displayed under product option.

## Are term deposits included in the account performance calculation?

Term deposits are included in the account performance calculation. When a term deposit matures the proceeds (principal and interest) are credited to the Cash Account. Once this has occurred they will both be included in the account performance. We do not include accrued interest in the account performance.

## How is account performance calculated when an investment is transferred into a managed account?

When an investment is transferred into a managed account, performance is calculated using the most recent available unit price for that investment on the date the transfer is completed.

Investments that have been transferred into a managed account (or in specie transfer into a portfolio) will have a performance value of 0.00% on the first day.

To obtain the ongoing performance of an investment, run the account performance report online in a consolidated view (without selecting the 'Display managed accounts' box).

To view the performance of the investment prior to being transferred into the managed account, run the performance report for a set of dates before the transfer.

## Account and investment performance formulae and examples

### Account performance formula

$$(\text{closing balance} - \text{opening balance} + \text{redemptions} - \text{purchases}) \times \text{days in reporting period}$$


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$$(\text{opening balance} \times \text{reporting balance}) - (\text{redemption transaction amount} \times \text{days held}) + (\text{purchase transaction amount} \times \text{days held})$$

### Example account performance calculation for your account

Table 1.1

#	Transaction type	Transaction date	Amount	Days held	Cash flow
1	Account opening balance	01/04/2015	\$0	-	-
2	Rollover in	01/04/2015	\$120,000	366 days	\$43,920,000
3	Administration fee	20/07/2015	\$100	256 days	-\$25,600
4	Partial withdrawal	01/08/2015	\$8,000	244 days	-\$1,952,000
5	Insurance premium	15/09/2015	\$300	199 days	-\$59,700
6	Administration fee	01/10/2015	\$100	183 days	-\$18,300
7	Income tax	14/02/2016	\$1,500	47 days	-\$70,500
8	Closing balance	31/03/2016	\$125,000	-	-
Total					\$41,793,900

Account performance calculation – with figures from table 1.1

$$((8) 125,000 - (1) 0 + (4) 8,000 + (5) 300 + (7) 1,500 - (2) 120,000) \times 366 \text{ (days in reporting period)}$$


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$$((1) 0 \times 366 \text{ (reporting period)}) - ((4) 8,000 \times 244 + (5) 300 \times 199 + (7) 1,500 \times 47) + ((2) 120,000 \times 366)$$

## Account performance calculation

$$\frac{(125,000 + 9,800 - 120,000) \times 366 \text{ days}}{0 - 2,082,200 + 43,920,000} = \frac{14,800 \times 366 \text{ days}}{41,837,800} = 0.12947 = 12.95\% \text{ performance for your account}$$

## Investment performance formula

The investment performance formula is used to calculate performance for all investments, including investments held as part of a Managed Account model portfolio.

## 1. Growth Calculation – Investment Level

$$\frac{(\text{closing balance} - \text{opening balance} + \text{sells} - \text{buys}) \times \text{days in reporting period}}{(\text{opening balance} \times \text{reporting period}) - (\text{sells transaction amount} \times \text{days held}) + (\text{buys transaction amount} \times \text{days held})}$$

## 2. Income Calculation – Investment Level

$$\frac{(\text{income}) \times \text{days in reporting period}}{(\text{opening balance} \times \text{reporting period}) - (\text{redemption transaction amount} \times \text{days held}) + (\text{purchase transaction amount} \times \text{days held})}$$

## Example investment performance calculation for an investment option

Table 1.2

#	Transaction type	Transaction date	Amount	Days held	Cash flow
1	Opening balance	01/04/2015	\$90,000	-	\$90,000
2	Investment purchase	01/04/2015	\$500	366 days	\$183,000
3	Investment purchase	01/04/2015	\$2,000	366 days	\$732,000
4	Investment redemption	30/06/2015	\$1,000	276 days	-\$276,000
5	Income from investment	31/01/2016	\$1,500	61 days	\$91,500
6	Closing balance	31/03/2016	\$110,000	-	-\$110,000
Total					\$710,500

Investment performance growth calculation – with figures from table 1.2

$$( (6) 110,000 - (1) 90,000 + (4) 1,000 - (2) 500 + (3) 2,000 ) \times 366$$

$$( (1) 90,000 \times 366 ) - ( (4) 1,000 \times 276 ) + ( (2) 500 \times 366 + (3) 2,000 \times 366 )$$

Investment performance growth calculation

$$\frac{18,500 \times 366 \text{ days}}{32,940,000 - 276,000 + 915,000} = \frac{6,771,000}{33,579,000} = 0.20164 = 20.16\% \text{ growth for the investment option}$$

Investment performance income calculation – with figures from table 1.2

$$( (5) 1,500 ) \times 366$$

$$( (1) 90,000 \times 366 ) - ( (4) 1,000 \times 276 ) + ( (2) 500 \times 366 + (3) 2,000 \times 366 )$$

Investment performance income calculation

$$\frac{1,500 \times 366 \text{ days}}{32,940,000 - 276,000 + 915,000} = \frac{549,000}{33,579,000} = 0.01635 = 1.63\% \text{ income for the investment option}$$

Investment performance growth plus income calculation

$$(\text{Growth}) 0.20164 + (\text{Income}) 0.01635 = 0.21799 = 21.79\% \text{ Investment performance for the investment option}$$

## Cash investments average interest rate formula

$$( \text{sum of all daily interest rates in reporting period} )$$

$$\text{days in reporting period}$$

## Example investment performance calculation for an investment option

Table 1.3

#	Date	Daily interest rate (%)
1	25/03/2016	2.14
2	26/03/2016	2.13
3	27/03/2016	2.11
4	28/03/2016	2.16
5	29/03/2016	2.11
6	30/03/2016	2.16
7	31/03/2016	2.11

Average interest rate calculation – with figures from table 1.3

$$\frac{(1) 2.14 + (2) 2.13 + (3) 2.11 + (4) 2.16 + (5) 2.11 + (6) 2.16 + (7) 2.11}{7}$$

Average interest rate calculation

$$\frac{14.92}{7} = 2.13143\% \text{ average interest rate for the cash investment}$$

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