

Quick Summary Guide

BMO InvestorLine Self-Directed

Time-weighted vs. Money-weighted returns

The following provides an overview of time-weighted versus money-weighted returns and how each of these performance measures can help you understand how your investment account performed. It’s important to note that these measures are complementary. Consequently, they should not be considered mutually exclusive of the other, but as two equally correct, yet distinct, account performance measures. When presented in tandem, they provide you with a complete picture of your account’s performance.

Time-Weighted Returns	Time-Weighted Returns
Time-weighted Returns (TWRs) do not consider cash flows in and out of an account. TWRs only measure the gain or loss of investments over a specified period of time, and are often referred to as the compound rate of return.	Money-weighted Returns (MWRs) include both the size and timing impact of cash flows in and out of the account. These include any deposits and withdrawals made to and from the account.
Why this is important: TWRs are used to evaluate the skill of an investment manager and are used to compare how your investments are performing relative to the applicable market index or blend of market indices based on your investment objectives. Time-weighted returns do not consider the impact of any contributions or withdrawals that are made during the reporting period on performance returns.	Why this is important: MWRs demonstrate how your investments are performing for you, specifically. A money-weighted return takes into account the impact to performance resulting from the timing and size of your account contributions and withdrawals, and is therefore specific and personal to each investor. Money-weighted returns are best used to measure wealth accumulation (or depletion), relative to long-term financial goals.

Example: Performance returns over a one-year period

The following provides an example of time-weighted vs. money-weighted returns over a one year period. As the example illustrates, returns, whether calculated on a money-weighted or time-weighted return basis, are often comparable. In fact, we see that MWRs and TWRs are identical in the absence of any cash flows in or out of a portfolio. However, for Investors B and C – both of whom made a deposit or withdrawal to/from their account – time-weighted and money-weighted returns will vary. Hence, money-weighted returns reflect both the size and timing of deposits and withdrawals made to and from an account.

Investor	Portfolio Value on January 1, 2016	Deposit or Withdrawal on June 30, 2016	Portfolio Value on December 31, 2016	Time-weighted return	Money-weighted return
A	\$500,000	\$0	\$530,000	6.00%	6.00%
B	\$500,000	\$50,000	\$577,885	6.00%	5.31%
C	\$500,000	(\$50,000)	\$482,078	6.00%	6.75%

Meeting your financial goals

Evaluating the performance of your account is important for determining whether you are on track to achieving your financial goals. Speak with your BMO InvestorLine Investment Specialist for further information on the progress of your portfolio based on your personal objectives.

Your Year-To-Date Fees Summary

► Fees you paid

	USD(\$)	CAD(\$)
Operating charges		
1 Annual administration fee	0.00	0.00
2 Transfer fees	155.00	402.24
3 Interest fees	0.00	0.00
4 Other operating fees	N/A	N/A
Total operating charges	155.00	402.24
Transaction charges		
5 Commissions on equities	1187.48	1568.24
Commissions on fixed income	309.02	408.29
6 Mutual fund switch fee	200.00	264.25
Total transaction charges	1,851.50	2,446.29
Total fees you paid in 2016	2,155.94	2,848.53

► Payments BMO recieved from third parties

	USD(\$)	CAD(\$)
7 Trailing commissions for mutual funds	150.00	195.00
8 Total payments BMO InvestorLine recieved from third parties in 2016	150.00	195.00

Operating Charges

- 1 **Annual administration fee:** Fees which may or may not be charged for the administration of your account based on the account type.
- 2 **Transfer fees:** Fees are charged depending on the type of transfer that occurred.
- 3 **Interest fees:** Fees are charged on a negative cash balance.
- 4 **Other operating fees:** Charges for the operation of your account such as a statement charge or taxes.

Transaction Charges

- 5 **Commissions on equities and fixed income:** Commission charges based on a per transaction basis for equities and fixed income.
- 6 **Mutual fund switch fee:** These can vary depending on the type and provider of the mutual fund

Payments BMO received from third parties

- 7 **Mutual Fund Commissions:** Commissions determined by the type and provider of the mutual fund.
- 8 **Total payments BMO InvestorLine received from third parties:** A total of all the commissions paid to BMO InvestorLine by a third party for the securities you hold in your account such as trailing commissions, referral fees and mutual fund commissions. These are paid out of the value of the fund and are not additional charges to you.

