

Money-weighted performance basis

This method of measuring performance depicts the actual return specific to the fund and is dependent on the particular cash flow of that fund.

This measure is also known as the internal rate of return.

The timing of cash flowing in or out of a portfolio can have a profound influence on the measured investment return achieved by a fund.

Time-weighted performance basis

This measure is particularly useful in comparing the returns of different asset managers against each other.

A lump sum investment is invested at the beginning of a period and the resultant value at the end of the period is calculated, assuming that there is no cash flow in or out of the portfolio during that time.

In other words, it assumes full investment for the whole period. This method avoids the distortion created by specific cash flows of each particular fund. It measures the performance over time only.