

## Time Weighted vs Dollar Weighted Returns.

### Question 1.

You have the following data on a mutual fund.

Year	Beginning Of Year Contributions	Year End Contributions	Year End Portfolio Value
1			1144
2	60	132	1256
3	89	0	1400

Assume that the **year-end portfolio value is measured after year-end contributions but before any contributions made at the beginning of the next year.**

- Compute the time-weighted return on the fund over each of the two years .
- Compute the dollar-weighted return on the fund over this period.
- Briefly explain the difference in general between a time-weighted and a dollar-weighted rate of return. In what circumstances would you use one versus the other?

## Question 2.

You have the following data on a mutual fund.

Year	Beginning Of Year Contributions	Year End Contributions	Year End Portfolio Value
1	50	120	1150
2	110	150	1310
3	90	30	1490

Assume that the year-end portfolio value is measured after year-end contributions but before any contributions made at the beginning of the next year.

- Compute the time-weighted return on the fund from the end of year 1 through the end of year 3.
- Compute the dollar-weighted return on the fund over this period.